DRN-5409850

The complaint

Mr C complains Lloyds Bank PLC ("Lloyds") didn't carry out proper affordability checks when providing him with an overdraft.

What happened

Mr C initially had two overdrafts with Lloyds, but in 2020 Mr C reached out to explain he had lost his job and had a gambling addiction. Lloyds provided Mr C with additional support, and in 2021 the balances were cleared and both overdrafts were removed.

In March 2024 Mr C applied for a new overdraft account. It was accepted and he was given a limit of £500. The limit wasn't increased.

Mr C complained to Lloyds around May 2024. He said he feels Lloyds took advantage of his circumstances. He said they didn't check if he was vulnerable and they've caused him harm. He wants them to write off the outstanding balance.

Lloyds responded to Mr C in June 2024. They rejected the complaint and felt they hadn't been irresponsible. Mr C remained unhappy so referred the complaint to our Service.

An Investigator here looked into things. They said under usual circumstances proportionate checks were carried out, but in Mr C's case Lloyds should've done more. This is because they had notes regarding his ongoing need for support, and there's no evidence Lloyds considered his vulnerability.

If they had, the Investigator said they would've seen large amounts of gambling between January 2024 and March 2024 and as a result, Lloyds treated him unfairly by lending as it's unlikely he'd be able to sustainably repay what was owed.

Lloyds agreed to the view, but Mr C rejected it. He wants the full amount written off. Because an agreement couldn't be reached, the complaint has been passed to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I want to begin by saying that it's very clear to me just how important this matter is for Mr C. He has set out his position in great detail and has provided lots of supporting information. I think it's important I explain that whilst I have read and considered all the information provided by both parties, I've outlined my findings in considerably less detail. I don't mean any discourtesy by this, rather this reflects the informal nature of our service.

The rules and regulations in place at the time Lloyds provided Mr C with the overdraft required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Lloyds had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr C. In other words, it wasn't enough for Lloyds to consider the likelihood of them getting the funds back or whether Mr C's circumstances met their lending criteria – they had to consider if Mr C could sustainably repay the lending being provided to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Lloyds did what was needed before lending to Mr C.

I agree with the Investigator that ordinarily, the checks Lloyds conducted at the time of application would have been proportionate. But in Mr C's case, Lloyds had a historic relationship with Mr C where notes were recorded regarding his gambling and additional support was provided to him in the past. So in this case, the checks weren't proportionate and more should've been done.

Mr C had explicitly told Lloyds in the past that he was addicted to gambling and was having treatment for his addiction. So, when Mr C's spending behaviour changed dramatically in January 2024, I would've expected Lloyds to step in and offer support. Between January 2024 and March 2024 Mr C spend over £6,000 on British gambling sites alone, with further spending to offshore gambling sites and over £6,500 in cash withdrawals.

So when Mr C applied for an overdraft in March 2024, had Lloyds done checks that were proportionate to Mr C's circumstances they would've seen this change in behaviour and should've made the decision not to lend to him further.

I know Mr C would like the full amount written off, as opposed to a refund of interest and charges as the Investigator has recommended. But I'm satisfied a refund of interest and charges, plus the £150 in compensation is fair in this case.

It would be unreasonable to ask Lloyds to write off the debt linked to Mr C's overdraft facility as this is money Mr C spent and is liable to repay. But I also don't think Lloyds ought to profit from their incorrect lending decision which is why I'm also saying Mr C needs to repay the capital he spent, and not any associated interest or charges added to the account.

I also appreciate the situation Mr C is in, and I do think Lloyds should've done more to safeguard him in 2024 which is why I'm also in agreement with the additional compensation on top of the standard refund of interest and charges.

Putting things right

- Pay Mr C £150 in compensation to recognise the distress caused
- Re-work Mr C's current overdraft balance to remove all interest, fees and charges applied from 29 March 2024

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Lloyds should arrange a suitable repayment plan with Mr C. If they consider it appropriate to record negative information to the credit reference agencies, they should backdate it to 29 March 2024

OR

- If removing all interest, fees and charges results in there no longer being an outstanding balance, any extra should be treated as overpayments and returned to Mr C, along with 8% simple interest on the overpayments from the date they were made until the date of settlement †. If no outstanding balance remains after all adjustments made, then Lloyds should remove any adverse from Mr C's credit file.

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mr C a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons set out above, I'm upholding Mr C's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 September 2025.

Meg Raymond
Ombudsman