

The complaint

Mr C complains that Lloyds Bank PLC (“Lloyds”) irresponsibly lent him a credit card.

What happened

In April 2024 Mr C applied for a credit card with Lloyds. The application was accepted and he was provided with a credit limit of £2,500. The limit was never increased.

Shortly after, Mr C raised a complaint to Lloyds. He said they’ve caused him foreseeable harm as he struggles with gambling and has done for a really long time, and Lloyds didn’t do enough to support him with his vulnerability.

Lloyds responded to the complaint in June 2024, rejecting it. They said they’d carried out proportionate checks and based on Mr C’s income and expenditure at the time, the card was deemed affordable.

Mr C didn’t agree, so he referred his complaint to our Service. An Investigator here looked into things. They upheld the complaint – they found that Lloyds were aware of Mr C’s vulnerability but didn’t complete extra checks to account for that, and he’d applied for credit with Lloyds just two weeks earlier.

They advised a refund of interest and charges, but Mr C wanted a full write off, and so he didn’t agree with the opinion. Lloyds agreed with what the Investigator had said. 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’ve also considered a complaint for Mr C against Lloyds regarding an overdraft that was taken within the same period of time – so a lot of the circumstances and findings are going to be very similar.

The rules and regulations in place at the time Lloyds provided Mr C with the credit card 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.

While under normal circumstances I may be inclined to say Lloyds' checks were proportionate for a revolving facility with this limit, considering Mr C's income and expenditure information too, however in this case Lloyds had a historic relationship with Mr C. They'd previously recorded notes regarding Mr C's gambling and he was provided with additional support in the past to help him. So in this case, I'm satisfied that the checks weren't proportionate and more should've been done.

Mr C had a current account with Lloyds which was seldom used until January 2024 where there was a sudden and distinct change in the account activity. In the three months prior to applying for the credit card, Mr C spent £6,100 on British gambling sites and around £6,500 in cash withdrawals, as well as other payments to overseas gambling sites.

Had Lloyds reviewed the other account Mr C held with them, and considering the notes regarding his struggles with gambling, I think they ought to more likely than not have been aware that lending further to him would cause foreseeable harm. So therefore, I don't think Lloyds should've provided Mr C with the credit card.

I'm aware that Mr C wants the full amount written off, as opposed to a refund of interest and charges suggested by the Investigator. But I'm satisfied that a refund of interest and charges is fair in this case.

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

In reaching my conclusions, I've also considered whether the lending relationship between Mr C and Lloyds might have been unfair to Mr C under s140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I direct Lloyds to do in the section below results in fair compensation for Mr C given the overall circumstances of his/her complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Putting things right

As I don't think Lloyds ought to have opened the account, I don't think it's fair for them to be able to charge any interest or charges under the credit agreement. But I think Mr C should pay back the amount he has borrowed. Therefore, Lloyds should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr C along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Lloyds should also remove all adverse information regarding this account from Mr C's credit file.

- Or, if after the rework there is still an outstanding balance, Lloyds should arrange an affordable repayment plan with Mr C for the remaining amount. Once Mr C has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*HM Revenue & Customs requires Lloyds to deduct tax from any award of interest. It must give Mr C a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

It's my final decision that I uphold 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 30 September 2025.

Meg Raymond
Ombudsman