

Complaint

Mr V has complained about a credit card Lloyds Bank PLC (“Lloyds”) provided to him. He says that the credit card and the subsequent limit increase were unaffordable for him and they caused him ongoing financial difficulty as he had to borrow further in order to make his payments.

Background

Lloyds provided Mr V with a credit card with an initial limit of £5,000.00 in March 2015. Mr V’s credit limit was then increased to £6,000.00 in September 2015.

In June 2024, Mr V complained saying that the credit card and the limit increase Lloyds provided to him were unaffordable and caused him continued financial difficulty as he had to borrow further in order to make his payments.

Lloyds did not uphold Mr V’s complaint. Mr V remained dissatisfied and referred his complaint to our service. When responding to our request for its file on Mr V’s complaint, Lloyds told us that it believed Mr V had complained about the initial decision to provide the card and the limit increase too late.

One of our investigators reviewed what Mr V and Lloyds had told us. And he thought Lloyds hadn’t done anything wrong or treated Mr V unfairly in relation to providing the credit card or increasing Mr V’s credit limit on the occasions that it did. So he didn’t recommend that Mr V’s complaint be upheld.

Mr V disagreed and asked for an ombudsman to look at the complaint.

My findings

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

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. Lloyds has argued that Mr V’s complaint about the initial decision to provide the card and the first credit limit increase was made too late because he complained more than six years after these lending decisions; as well as more than three years after he ought reasonably to have been aware of his cause to make this complaint.

Our investigator explained why it was reasonable to interpret Mr V’s complaint as being one alleging that the relationship between him and Lloyds was unfair to him as described in s140A of the Consumer Credit Act 1974 (“CCA”). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I’ve decided not to uphold Mr V’s complaint. Given the reasons for this, I’m satisfied that whether Mr V’s complaint about the specific lending

decisions was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Mr V's complaint should be considered more broadly than just the lending decisions. I consider this to be the case as Mr V has not only complained not about the respective decisions to lend but has also alleged that this unfairly impacted upon his financial position moving forward.

I'm therefore satisfied that Mr V's complaint can therefore reasonably be interpreted as a complaint about the overall fairness of the lending relationship between him and Lloyds. I acknowledge Lloyds may not agree that we can look at parts of Mr V's complaint, but given the outcome I have reached, I do not consider it necessary for me to make any further comment, or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Mr V's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mr V's complaint can be reasonably interpreted as being about the fairness of the lending relationship between him and Lloyds, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Lloyds) and the debtor (Mr V), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Mr V's complaint, I therefore need to think about whether Lloyds' decision to initially lend to Mr V, increase his credit limit on the occasions it did, or its later actions resulted in the lending relationship between Mr V and Lloyds being unfair to Mr V, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mr V's relationship with Lloyds is therefore likely to be unfair if it didn't carry out reasonable and proportionate checks into Mr V's ability to make his repayments in circumstances where doing so would have revealed the credit card or the limit increases to be unaffordable, or that it was irresponsible to lend. And if this was the case, Lloyds then didn't somehow then remove the unfairness this created.

I've considered Mr V's complaint in this context.

Were the decisions to provide the credit card and subsequent credit limit increases unfair?

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr V's complaint.

Lloyds needed to make sure it didn't lend irresponsibly. In practice, what this means is Lloyds needed to carry out proportionate checks to be able to understand whether Mr V could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Lloyds says its process at the time means that it will have initially agreed to Mr V's application after carrying out a credit search. And the information obtained will have indicated that Mr V would be able to make the monthly repayment due on the credit card. It says similar checks will have been carried out before Mr V's credit limit was increased and these checks will also have shown the limit increase to be affordable.

On the other hand, Mr V says that credit card and limit increase were unaffordable and that they caused him ongoing financial difficulty as a result.

I've considered what the parties have said.

Lloyds' decisions to offer Mr V a credit card with a credit limit of £5,000.00 and then increase the limit to £6,000.00

What's important to note is that Mr V was provided with a revolving credit facility rather than a loan. And this means that Lloyds was required to understand whether £5,000.00 and £6,000.00 could be repaid within a reasonable period of time, rather than in one go. It's fair to say that credit limits of £5,000.00 and £6,000.00 required not insignificant monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

Lloyds hasn't been able to provide any details on what it found out about Mr V as a result of the credit checks that it carried out prior providing the card or increasing its credit limit. Mr V has argued that he should be given the benefit of the doubt in light of this. However, the initial card application took place more than ten years ago and the limit increase took place almost ten years ago.

Furthermore, it is Mr V that chose to make his complaint in June 2024. While, for the reasons I've explained earlier, I'm satisfied that I'm able to consider Mr V's complaint, there is no expectation upon financial businesses to hold information indefinitely on the off chance that the customer may decide to make a complaint at some undefined period. So there is no obvious reason for Lloyds to have this information at this stage and I'm satisfied that in these circumstances it wouldn't be fair and reasonable for me to draw adverse inferences, or uphold Mr V's complaint, solely as a result of this information not being provided.

I'm also mindful that I've not been provided with any information and neither has it even been argued, that Mr V had any significant adverse information – such as defaulted accounts or county court judgments ("CCJ") recorded against him at the time of these lending decisions either.

Nonetheless, the fact that Mr V could be left with having to repay £5,000.00 and then £6,000.00 within a reasonable period of time, I do think that it would have been reasonable and proportionate for Lloyds to have found out a bit more about Mr V's regular non-discretionary living costs before offering this credit card and the limit increase. I've not been provided with anything to indicate and neither has it been argued that this was something that Lloyds did when it was deciding whether to lend. So I don't think that it carried out reasonable and proportionate checks before providing the limit increases to Mr V.

However, even though I've not been persuaded that Lloyds did enough to establish whether the repayments to the credit card and limit increase were affordable, this doesn't on its own mean that Mr V's complaint should be upheld. This is because where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, Mr V is unable to provide us with the information we require in order to be able to assess what Lloyds finding out more about his circumstances is likely to have shown. So I've not been provided with sufficient evidence to reasonably conclude that the monthly payments to this credit card and the limit increase were as a matter of fact unaffordable for Mr V.

I appreciate that Mr V may feel that it is unreasonable and unfair to expect him to provide information which he doesn't have and cannot reasonably be expected to have. However, I also have to take into account that Lloyds isn't required to have retained information on its checks either.

Equally, it is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any credit provided was unaffordable. And I'm afraid that I've not been provided with sufficient evidence which corroborates what Mr V has said about not being able to afford the repayments to this credit card and the limit increase.

Indeed, I also have to consider that Mr V's Lloyds credit card had a 0% interest rate for balance transfers. So Mr V had the option of transferring some of his existing credit card debt, to a much lower interest rate, on to this account. Indeed, I think that Mr V might well have been applying for this card in order to transfer existing balances on to this account at 0% interest.

The transaction history for Mr V's credit card also show that he transferred at least one existing balance to this credit card. The transaction history also suggests that Mr V didn't pay any interest on this transfer to start with. I'm therefore satisfied that Mr V was always likely to pay less interest than he would have done had the balance stayed where it was. He was therefore able to make larger inroads into his balance and, in these circumstances, it's difficult for me to agree that Mr V lost out as a result of being provided with this credit card.

Overall and having carefully considered everything, I've not been provided with sufficient evidence to be persuaded that Lloyds' checks before providing this credit card or increasing Mr V's credit limit went far enough. Nonetheless I've also not been provided with sufficient evidence to be reasonably persuaded that Lloyds carrying out such checks would have prevented it from providing this credit to Mr V or increasing his credit limit.

In these circumstances and based on the available evidence I don't find that Mr V's relationship with Lloyds was unfair. I've not been persuaded that Lloyds created unfairness in its relationship with Mr V by irresponsibly lending to him whether when initially agreeing to provide him with a credit card, or in respect of the credit limit increase. I don't find Lloyds treated Mr V unfairly in any other way either based on what I've seen.

As this is the case, while I can understand Mr V's sentiments and appreciate why he is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mr V. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 21 July 2025.

Jeshen Narayanan
Ombudsman