

## **The complaint**

Mr M complains that Lloyds acted irresponsibly when it granted him an overdraft and failed to consider patterns of reliance on debt and hardcore borrowing and failed to conduct appropriate checks.

For ease, in my decision I will refer to Mr M when talking about him or his representative.

Lloyds have consented to us considering the merits of Mr M's complaint from when his overdraft was first authorised.

## **What happened**

Mr M has held a current account with Lloyds for a number of years and in March 2007 was granted an overdraft with a credit limit of £500. The credit limit increased over the years with the last increase being in March 2018 to £3,000.

In February 2024 Mr M complained to Lloyds about his overdraft facility.

On 16 April 2024 Lloyds issued Mr M with a final response letter ("FRL"). Under cover of this FRL, Lloyds explained that part of the complaint was time barred as he had raised his complaint too late but said it was satisfied the overdraft limit increases over the last six years had been affordable for Mr M and didn't uphold the complaint. Lloyds subsequently consented to us looking at the whole of the borrowing period.

Unhappy with Lloyds's FRL, Mr M brought his complaint to us in June 2024.

Mr M's complaint was considered by one of our investigators who concluded that Lloyds hadn't acted fairly and upheld Mr M's complaint from the June 2015 review.

Lloyds didn't accept the investigator's view so his complaint has been passed to me for review and decision.

## **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.

Having done so, I've reached the same conclusion as that of our investigator for broadly the same reasons and I don't think Lloyds has acted fairly in this case.

I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it, I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities.

Before authorising the overdraft limit of £500 in March 2007, Lloyds was required to complete proportionate affordability checks to ensure the credit was affordable and sustainable. What is considered proportionate will vary depending on the specific circumstances of each case, as there isn't a set list of checks that had to be completed.

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.

*Did Lloyds conduct proportionate checks prior to making its lending decisions?*

Due to the passage of time, I haven't been provided with any information prior to 2007 but Lloyds has kindly provided me with Mr M's account statements from 2007 onwards. So whilst I can't see prior to 2007, what Lloyds based its initial lending decision on, I can see what the financial situation was regarding Mr M, from his statements from 2007 onwards. And whilst I can't make a judgement on whether the checks Lloyds conducted prior to 2007 were proportionate, I can say whether any credit limit increases from 2007 were responsible or not.

*Did Lloyds monitor Mr M's repeated use of his overdraft?*

In March 2007, the agreed credit limit stood at £500 but then in 2010, there were three increases up to £2,000 and then a further increase in June 2011 to £2,500. Up until these increases the account had been reasonably well maintained and whilst Mr M used his overdraft facility regularly, he wasn't constantly overdrawn and from what I can see, didn't exceed the limits. But by 2015, I think there were signs that indicated Mr M was becoming over reliant on hardcore borrowing. I say this as over a three year period, Mr M was constantly overdrawn and at times exceeded the agreed limit which caused direct debits to be returned and for Mr M to incur additional fees and charges.

The regulations puts the onus on lenders that an overdraft is not generally suitable for long term use. So as well as needing to act responsibly when it took each decision it agreed to increase Mr M's credit limit – ensuring that the overdraft was sustainably affordable without the need for Mr M to borrow more – Lloyds also needed to monitor and review his overdraft usage. And where it identified a pattern of repeat usage, as with Mr M's account, it needed to take steps to try and reduce it. And on balance, I'm not satisfied Lloyds have done this. I say this as prior to 2019 (when more stringent regulations were introduced in relation to overdraft usage), there was evidence that Mr M was over reliant on hardcore borrowing in the shape of his overdraft and had exceeded it several times. And whilst Lloyds told us that it identified Mr M to be a repeat user of his overdraft in October 2020, when it started sending repeat user letters, I think there was evidence of both over reliance and financial difficulty several years before this.

Lloyds told us that there was a lot of non-essential spending on Mr M's account and made comparisons to similar decisions we had issued in the banks favour where we commented on a consumers transactions. Lloyds will know that we consider each case on it's own facts and merits and it's not for us or the banks to tell customers how they choose to spend their money.

Our investigator concluded that by the June 2015 review, there were signs of financial difficulty. And I agree as there were clear signs of an over reliance on the overdraft facility and signs of financial difficulty as despite Mr M having a weekly salary paid into his account, it wasn't enough to bring it back into credit and the limit was also being exceeded. And as I've highlighted above, Mr M had constantly been in his overdraft for a period of three years which isn't commensurate with what the overdraft was for, short term borrowing.

And so I think Lloyds needed to consider other options such as but not limited to reducing or waiving interest or reducing the limit. But I can't see that Lloyds considered any of these options at this time.

So taking into consideration Lloyds's obligations, I'm not satisfied it did enough to support Mr M. I say this because I think Mr M was showing signs of financial difficulty by the time of the annual review in June 2015 and Lloyds should have done more to help him to explore different options to reduce the debt. Because of this, I uphold this complaint from the date of the annual review in June 2015.

#### *Did Lloyds act unfairly in any other way*

I've also considered whether Lloyds have acted unfairly or unreasonably in any other way and if an unfair relationship existed between Lloyds and Mr M, as defined by section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I've directed above results in fair compensation for Mr M in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

#### **Putting things right**

Lloyds should:

- Re-work Mr M's current overdraft balance so that any additional interest, fees and charges applied from June 2015 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Lloyds should contact Mr M to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr M's credit file, it should backdate this to June 2015.

OR

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

\*HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mr M a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

My final decision is that I uphold this complaint. Lloyds Bank PLC should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 July 2025.

Paul Hamber  
**Ombudsman**