The complaint

Miss D is complaining that Lloyds Bank PLC lent to her irresponsibly by providing her with a personal loan. Miss D's complaint has been raised by a representative but for ease I've written as if we've dealt with her directly throughout.

What happened

In May 2023, Miss D applied for a loan with Lloyds Bank. They approved a £20,000 loan with a six-year term. The loan required Miss D to make payments of around £473 per month.

Miss D complained to Lloyds Bank in April 2024. She told them she'd been forced by fraudsters to take out the loan, and was threatened with physical harm if she didn't comply. Miss D said she didn't think Lloyds Bank had acted responsibly when approving her loan, and specifically said she didn't think they'd done enough to check affordability and her income and expenditure. She said the repayments were more than a third of her income, and no one checked why someone so young would need £20,000.

Lloyds Bank didn't uphold Miss D's complaint. They said Miss D had told them her monthly income and housing costs, and they'd used information from credit reference agencies (CRAs) and information they already held to estimate her existing credit commitments. And they said they'd estimated expected living costs for Miss D using data from the Office for National Statistics (ONS). Lloyds Bank said Miss D had passed their checks, and that's why they agreed to lend to her.

Miss D wasn't happy with Lloyds Bank's response, so she brought her complaint to our service. In doing so, she said she'd put on the application that her income was £40,000 but it was nowhere near that. She also said she'd put on the application that the loan was for home improvements. Miss D noted that her bank statements showed she was making large payments to other individuals which she thought Lloyds Bank should have investigated. And she said that if Lloyds Bank had asked her more questions about the loan, she would have told them why she was taking it out and they wouldn't have lent to her.

One of our investigators looked into Miss D's complaint but didn't think it should be upheld. In summary, he didn't think that Lloyds Bank had done enough checks before lending to Miss D. But, he said, if they had, he didn't think the true circumstances of the loan would have come to light and he thought Miss D's financial circumstances at the time meant Lloyds Bank could have fairly decided the loan was affordable for her.

Miss D didn't accept our investigator's view. She said it wasn't a question of pure affordability, and that Lloyds Bank should have asked more questions about the purpose of the loan, Miss D's circumstances and any expected changes in them, and why she'd lied about her income on the application. She said the physical threats and police report hadn't been addressed. Miss D asked for an ombudsman's decision – and the matter's come to me.

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.

Firstly I'd like to acknowledge how difficult a time this must have been for Miss D. I'm really sorry to hear of everything she's been through. I must also note that I'm only considering her complaint that Lloyds Bank shouldn't have approved the loan – Miss D has also complained about how Lloyds Bank handled certain transactions on her current account when she was being scammed, and this is being dealt with in a separate decision.

Having looked at everything, I'm not inclined to uphold Miss D's complaint. I realise how disappointing this will be, and I'll explain why below.

What's required of lenders?

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer, or when increasing the amount they lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did Lloyds Bank carry out proportionate checks?

Lloyds Bank's loan required Miss D to pay back over £30,000, over a six-year period. So my starting point is that I'd expect their checks to have been thorough.

Lloyds Bank asked Miss D what her income was and checked her credit file. They calculated Miss D had credit commitments of £4 per month. And they noted no adverse information on her credit file. Lloyds Bank estimated Miss D's essential living costs at £577 per month using ONS data, accepted Miss D's statement that she had no housing costs, and calculated her disposable income on that basis at £2,006 per month, from which the repayments needed would appear to be easily affordable.

I'm not satisfied these checks were proportionate. CONC 5.2A.16G says that a firm shouldn't generally rely on a customer's own statement of their income without some independent verification. This loan was a substantial commitment for Miss D, so I think Lloyds Bank should have verified Miss D's income.

There isn't a corresponding provision for expenditure. In her application for the loan Miss D said she had no housing costs, and she classified her residential status as "joint owner". I don't think it was unreasonable for Lloyds Bank to accept Miss D's declared residential status and housing costs.

CONC 5.2A.19G says that a firm can rely on statistical data unless it knows or has reasonable cause to suspect that the customer's non-discretionary expenditure is significantly higher than that described in the data. Miss D banked with Lloyds Bank, so they were able to see her non-discretionary expenditure. I'm satisfied Miss D's non-discretionary expenditure wasn't significantly higher than the £577 figure Lloyds Bank derived from the ONS data. So, I don't think Lloyds Bank needed to do more to understand Miss D's expenditure.

Finally, although Lloyds Bank haven't provided Miss D's full credit file, it's clear that Miss D had very little existing credit, and that she had no defaults, recent missed payments or other adverse information on her credit file. Whilst this minimal credit history might have impacted Lloyds Bank's credit risk assessment, I can't say it ought to have caused concerns about whether the loan was affordable for Miss D – there were no indications that she was reliant on credit, and she didn't have any significant existing credit commitments to pay.

In summary, I don't think Lloyds Bank carried out proportionate checks – they should have verified Miss D's income in the circumstances.

What would Lloyds Bank have found if they had carried out proportionate checks?

As I've explained above, Lloyds Bank should have verified Miss D's income. I can't say how they should have done that, but they did have access to her current account. I've looked at Miss D's income for the three months preceding the loan approval, and I can see her income averaged around £1,700 per month. This is significantly lower than the £44,000 Miss D had put on her application. But, given Lloyds Bank had estimated that Miss D had non-discretionary expenditure of under £600, they could have fairly decided this would still have left Miss D with over £600 per month (after the loan repayments) to cover discretionary spending and emergencies. So, I'm satisfied Lloyds Bank could have fairly concluded that the loan was affordable for Miss D.

Should Lloyds Bank have realised Miss D was being coerced into taking out the loan?

Miss D has said that Lloyds Bank should have asked further questions because she'd applied for a loan for home improvements but didn't pay any household bills. And she said they should have asked why she'd lied about her income on her application. Unfortunately, it's not unusual for customers to lie about their income on applications for credit, and because the agreement would still have appeared to be easily affordable, I can't say this should have prompted Lloyds Bank to ask Miss D further questions. And while I can understand Miss D's perspective that a home improvements loan doesn't necessarily make sense for someone who isn't paying household bills, people do split the costs of home ownership and maintenance in different ways and I wouldn't necessarily expect this to raise concerns for Lloyds Bank.

Miss D's said that she'd made several payments to the fraudsters by the time she took out the loan and this should have prompted Lloyds Bank ask her about the loan. A firm does need to take into account information of which it is aware when making a lending decision. But, looking at Miss D's bank statements, I can see only one transfer to the fraudsters before the loan application was approved on 22 May 2023. I can't say this should have prompted Lloyds Bank to do more checks – it was only one transaction, which Miss D had explained. There were three transfers out to the fraudsters on the same day as the loan approval, but these all took place after business hours, so I can't say these should have had any bearing on the loan approval.

In summary, I can't say Lloyds Bank should have phoned Miss D or asked further questions. They're entitled to carry out automated checks and, whilst I don't think those checks went far enough, I do think Lloyds Bank could have verified Miss D's income without any further interaction with Miss D.

For completeness, I've also considered what Miss D might have said if Lloyds Bank had questioned her further on the purpose of the loan. Miss D's told us she wouldn't have been able to answer the questions asked and would have disclosed the true purpose of the loan, and Lloyds Bank wouldn't have been able to lend to her.

But Miss D said she was being told by the fraudsters what to say on the phone to Lloyds Bank – and provided adequate explanations when asked about other transactions. And she's told us she was threatened with physical violence to her family members and that the fraudsters knew where she lived. She didn't report the scam until September 2023. So I think it's very unlikely she'd have reported it to Lloyds Bank if they'd asked further questions about the loan.

On balance, I'm inclined to say that if Lloyds Bank had questioned Miss D further about the loan, she'd have been able to provide satisfactory answers, and the bank would still have been able to fairly approve the loan.

Consumer Duty

Miss D has also commented on the FCA's Consumer Duty regulations, saying she's suffered foreseeable harm as a result of Lloyds Bank granting her this loan. The Consumer Duty regulations came into effect on 31 July 2023, after the loan was granted. But, although I appreciate Miss D's suffered extensive harm as a result of this loan, I'm not persuaded this was foreseeable – as I've set out above.

Have Lloyds Bank treated Miss D unfairly in any other way?

Miss D's told us she's in financial difficulties as a result of this loan. Lloyds Bank haven't applied any interest on the loan since she told them she'd been scammed. This is a positive step to have taken, and I can't see Miss D's told Lloyds Bank that she's struggling to make the repayments. So I can't say Lloyds Bank should have done any more, but I would remind them of their obligation to treat Miss D with forbearance and due consideration.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lloyds Bank lent irresponsibly to Miss D or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

As I've explained above, I'm not uphold Miss D's complaint about Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 5 August 2025.
Clare King
Ombudsman