

The complaint

Miss D complains that Lloyds Bank Plc irresponsibly lent to her.

What happened

The facts of this case are familiar to both sides. With that being the case, I won't provide a detailed background here. Instead, I'll provide a brief summary.

Lloyds provided Miss D with a personal loan in November 2024. The loan was for £3,000 and it was due to be repaid through 36 monthly repayments of £105.56. The total amount to be repaid by the end of the loan term, including interest and fees, was £3,800.16.

In February 2025 Miss D complained to Lloyds about its decision to lend.

In April 2025, Lloyds issued its final response in which it did not uphold the complaint. Unhappy with this, Miss D asked our service to investigate matters.

One of our investigators reviewed Miss D's complaint and, having done so, issued their opinion in August 2025 in which they did not think Lloyds had acted unfairly. In short, our investigator thought that whilst Lloyds did not carry out reasonable and proportionate checks prior to agreeing to lend, if it had done so, it would not have reached a different lending decision.

Miss D did not agree with our investigator and, as an agreement couldn't be reached, the complaint has been passed to me to review afresh.

Before I proceed, I note Miss D has made a separate complaint about Lloyds' decision to provide her with an overdraft facility. That matter has been considered under a separate complaint reference number and is not the subject of this decision.

Finally, I note Miss D has said that this debt is now subject to a Debt Relief Order. Our investigator asked Miss D whether, in light of this information, she wishes to proceed with the complaint. The deadline for Miss D to respond to this enquiry has now lapsed. So, in order to keep things moving and to bring some finality to matters, I have proceeded to issue this 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 our investigator. I'll explain why I think this is a fair outcome in the circumstances.

However, before I do, 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 based my decision on the balance of probabilities.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having done so, I agree with our investigator's conclusion – and for broadly the same reasons.

Lloyds needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss D could repay the loan repayments when they fell due and without the need to borrow further. These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did Lloyds carry out reasonable and proportionate checks to satisfy itself that Miss D was likely to have been able to repay the borrowing in a sustainable way?
 - i. If Lloyds carried out such checks, did it lend to Miss D responsibly using the information it had?

Or

- ii. If Lloyds didn't carry out such checks, would appropriate checks have demonstrated that Miss D was unlikely to have been able to repay the borrowing in a sustainable way?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- the type of credit Miss D was applying for along with the size, length and cost of the borrowing; and
- Miss D's financial circumstances – which included her financial history and outlook along with her situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- the lower an applicant's income because it could be more difficult to make the repayments as a result;

- the higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- the longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

Did Lloyds carry out reasonable and proportionate checks?

Prior to agreeing to lend, Lloyds asked Miss D to provide some information about her circumstances, including her residential status, employment status, income and expenditure. Miss D declared she was a council tenant and her employment status was *'not-working – independent means'* with a gross annual income of £19,000. Miss D also declared her monthly expenditure (split between rent and *'other major commitments'*) totalled £126.

Lloyds has said it estimated Miss D's expenditure using its own expenditure model which uses statistical data taking into account factors such as income, age and area of the country to calculate what an applicant is likely to be spending on essential items such as utilities, groceries and clothing amongst other things. It also added a buffer.

Finally, Lloyds checked Miss D's credit file, and it has provided our service with a copy of the results it saw which revealed she did not have any recent record of defaults, CCJs or missed payments. From the information it gathered from Miss D's credit file, Lloyds says it was able to calculate how much Miss D was spending towards her unsecured credit commitments each month.

Here is a breakdown of the information Lloyds gathered from these various sources prior to the lending decision and what it calculated to be Miss D's monthly disposable income as a result:

Net Monthly Income	Housing Costs	Other Major Commitments	Unsecured Credit Commitments	Essential Living Costs	Buffer	Disposable Income
£1,375	£86	£40	£28	£565	£16	£640

From the information Lloyds gathered, the lending appeared to be affordable on a simple pounds and pence basis.

However, as our investigator noted, the credit file data Lloyds has provided is quite high-level. For example, it does not provide insight into (amongst other things) Miss D's overall indebtedness. So, I'm unable to see how it arrived at the figure for Miss D's expenditure on 'unsecured credit commitments' that it did.

Further, it is not clear to me that Lloyds conducted any kind of verification of Miss D's income.

Noting the size of the lending relative to what Lloyds understood to be Miss D's income, I think it needed to take additional steps to satisfy itself that Miss D would be able to sustainably repay the borrowing in question for a period of three years.

In that context, I can't fairly say Lloyds conducted reasonable and proportionate checks prior to agreeing to lend.

Would reasonable and proportionate checks have demonstrated that Miss D was likely to have been able to repay the borrowing in a sustainable way?

It isn't possible to determine with certainty what reasonable and proportionate checks would have shown Lloyds in practice as I don't know what checks it would have decided to carry out if it had its time again.

As a result, what I'm considering here is the likelihood of reasonable and proportionate checks showing Lloyds that Miss D would have been able to sustainably repay the borrowing in question. And for that reason, it is necessary to now consider information that Lloyds hadn't considered (or possibly did consider but hasn't evidenced) in November 2024.

Noting Miss D was a Lloyds current account customer – and in the absence of anything else – I've reviewed Miss D's bank statements covering the three months prior to the lending in question (i.e. August – October 2024) to build up an understanding of the information Lloyds would likely have gathered if it had conducted further checks. I'll refer to this as 'the Relevant Period'.

However, to be clear, I would not expect Lloyds to conduct a forensic analysis of Miss D's bank statements. That strikes me as disproportionate to the size of the lending in question. Instead, I think it would have been reasonable for Lloyds to have used this information to confirm Miss D's income and to check for obvious indicators to suggest Miss D was suffering financial hardship.

Having spent time reviewing these bank statements I do not think, on balance, Lloyds would have made a different lending decision if it had seen this information.

The bank statements reveal that, during the Relevant Period, Miss D's average income was around £1,470¹. This is slightly higher than the amount Miss D declared in her application. And there was nothing obvious on the statements to suggest that the rest of the expenditure information Lloyds relied on when making its lending decision was inaccurate.

Therefore, it seemed Miss D had sufficient disposable income each month to affordably and sustainably repay the borrowing in question. In other words, I do not find that further checks would have shown Lloyds the new agreement would have been unaffordable.

What's more, the bank statements did not reveal any other obvious signs of financial strain, such as prolonged use of an overdraft, reliance on short-term lending or returned Direct Debits.

I can see there were gambling transactions present on Miss D's account during the Relevant Period, and these seem to increase in frequency in the days leading up to the lending in question. However, I don't think Lloyds was required to conduct the kind of forensic analysis which would have revealed this information. But, in any event, I'm not persuaded the extent of these transactions – relative to the funds coming into the account – ought to have given Lloyds cause to refuse to lend at this stage.

¹ Excluding PIP payments received by Miss D on behalf of her son and sporadic receipts from friends and family.

I accept that Miss D's financial situation may have been worse than the information Lloyds gathered (or ought to have gathered) at the time suggested. And it is possible (although I think it is unlikely) that any manual scrutiny of Miss D's bank statements or a similar level of forensic analysis would have led Lloyds to a different lending decision. But I've seen no reason why it would have been reasonable or proportionate for Lloyds to have gone this far before approving the borrowing in question.

With all of this in mind, if Lloyds had made further checks, as I think it should have, then I think it's unlikely it would have decided the lending in question was unaffordable or unsustainable for Miss D. So, I don't think Lloyds acted unfairly by agreeing to lend.

Did Lloyds act unfairly or unreasonably in some other way?

In determining this matter, I've also considered whether Lloyds acted unfairly or unreasonably in some other way given what Miss D has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Lloyds lent irresponsibly to Miss D or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

With that being the case, whilst I understand this will come as a disappointment to Miss D, I do not uphold this complaint.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 8 January 2026.

Ross Phillips
Ombudsman