

The complaint

Mr F complains Lloyds Bank plc (Lloyds) failed to carry out sufficient financial checks before it approved a credit card account for him.

What happened

Mr F says Lloyds approved a credit card account for him in September 2021, at a time when he had sizeable external debt and on one occasion in the previous 12 months, he'd only paid the monthly minimum payment on a revolving credit facility. Mr F says Lloyds failed to carry out appropriate and thorough financial affordability checks, before it approved the £2,000 credit card limit.

Mr F wants Lloyds to refund all interest and charges on the account along with 8% simple interest and remove any adverse information on his credit file relating to this account.

Lloyds says it is a responsible lender and before it approved the credit card account for Mr F it carried out credit checks using data from Mr F's application, external sources including credit reference agencies (CRA's) data and its own credit scoring modelling. Lloyds says this showed the borrowing was affordable and there was no evidence of Mr F having any financial difficulties. Lloyds felt it lent responsibly.

Mr F wasn't happy with Lloyds' response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out there is no set list of checks lenders like Lloyds must carry out before providing credit to its customers, but these must be borrower focused and take into account the amount, type, term and cost of any borrowing.

The investigator says Mr F declared an income of £40,000 per annum which was verified by Lloyds during its credit checks and that he had housing costs of circa £500 per month. The investigator says while Lloyds carried out credit checks, it didn't provide a copy of the credit report or confirm to this service there were no concerns from the information provided by the CRA's. So the investigator couldn't conclude the checks were reasonable and proportionate.

The investigator obtained a copy of the credit report from Mr F. The investigator noted that Mr F's income had been verified by Lloyds using external current account turnover (CATO) data at point of sale. The investigator says the credit file report showed there were no signs of pay day loans, arrears, defaults or CCJ's and Mr F was managing his existing credit arrangements well. As a result the investigator was satisfied Lloyds acted responsibly when it approved the credit card application.

Mr F didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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 won't be upholding this complaint and I will explain how I have come to my decision.

From what I understand Mr F is experiencing financial difficulties and I was sorry to hear that as it must be a source of worry for him.

When looking at this complaint I will consider if Lloyds acted irresponsibly when it provided a credit card account for Mr F in September 2021 with a credit limit of £2,000.

Mr F's complaint centres around the fact Lloyds failed to carry out suitable financial affordability checks before it approved a credit facility of £2,000 to him in September 2021. Mr F maintains if it had it would have seen that he already had large levels of external debt and his spending patterns showed he was already under financial pressure.

While I understand the points Mr F makes here, I'm not fully persuaded by his argument and I will go on to explain why.

As explained by the investigator there are no set list of checks lenders like Lloyds must undertake before it provides credit facilities to its customers, but these must be borrower focused and take into account the amount, type, term and cost of any borrowing.

From the information I have seen, before the credit card limit was agreed Lloyds carried out credit searches, income and expenditure assessments and referenced information contained in Mr F's application, in which he declared he was self-employed earning circa £40,000 per annum. Lloyds also relied upon data from CRA's and CATO to assess affordability and this produced an acceptable credit score for this level of borrowing.

The investigator felt that it would have been appropriate for Lloyds to have evidenced the data it had relied on to show the borrowing was affordable and obtained a copy of Mr F's credit file to see if there were any signs of financial stress. I don't fully agree with the investigator here as Lloyds had conducted searches from recognised CRA's and CATO data, along with Mr F's declared income on his application. It's not for me to tell Banks like Lloyds where those sources of data must come from, but here I can see this was from a recognised CRA, so I am satisfied that was a reasonable and trusted source for it to rely on.

That said the production of this credit file provided by Mr F, showed no signs of any financial stress and his external borrowing, the majority of which was with Lloyds, was well managed.

I have also been provided with copies of Mr F's bank statements from Lloyds and these showed a well-run account with good credit balances maintained and a steady level of income comparable to what he had declared. So it's fair to say here even if Lloyds had requested Mr F's credit file and scrutinised his bank statements, I'm satisfied it would have concluded the credit card facility was affordable and sustainable.

With that in mind I am satisfied the checks Lloyds carried out were reasonable and proportionate here and its decision to lend was fair for the reasons I have already explained.

I've also considered whether Lloyds acted unfairly or unreasonably in some other way given what Mr F has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Mr F will be disappointed with my decision, I won't be asking anymore of Lloyds.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 8 September 2025.

Barry White
Ombudsman