DRN-5699948

The complaint

Miss D has complained about Lloyds Bank UK Plc's decisions to increase her overdraft limit multiple times in November 2024 and January 2025.

Miss D also complains about Lloyds' decision to refused her application for an overdraft limit increase in late January 2025.

What happened

The facts of this case are familiar to both sides, so I don't intend to repeat everything in detail here. Instead, I'll provide a summary.

Lloyds provided Miss D with an overdraft facility in July 2021. However, Miss D has made it clear that her complaint is about events that started in November 2024. Therefore, within this decision, I will confine myself to considering the lending decisions made from this point on.

Overdraft Limit Increase (OLI) Number	Date	Existing Credit limit	Credit Limit change	New Credit Limit
1	2 November 2024	£250	£50	£300
Limit Decrease	November 2024	£300	-£20	£280
Limit Decrease	November 2024	£280	-£30	£250
2	16 November 2024	£250	£500	£250
3	16 November 2024	£500	£500	£1,000
4	17 November 2024	£1,000	£450	£1,450
Limit Decrease	November 2024	£1,450	-£1,450	£0
5	1 January 2025	£0	£250	£250
6	8 January 2025	£250	£50	£300
7	8 January 2025	£300	£200	£500
8	16 January 2025	£500	£100	£600
9	16 January 2025	£600	£400	£1,000
Limit Decrease	January 2025	£1,000	-£500	£500

In January 2025, Miss D complained to Lloyds about its decision to refuse to increase her overdraft limit from £500 to £1,000. Then, in February 2025, Miss D complained about Lloyds' decision to lend.

Later that month, Lloyds issued its final response letter in which it did not uphold Miss D's complaint. As a result, Miss D referred her complaint to our service.

One of our investigators looked into matters and, in June 2025, issued their opinion in which they did not uphold the complaint. In short, our investigator said that for the lending decisions in November 2024 (CLI 1-4) Lloyds did not complete reasonable and proportionate checks, but such checks would not have given it cause to refuse to lend. And with regards to the lending decisions in January 2025 (5-9) the investigator felt Lloyds did complete reasonable and proportionate checks and the output from those checks would not have given it cause to refuse to lend.

Miss D didn't agree with this. Therefore, the complaint has been passed to me to review afresh.

I note Miss D has made a separate complaint about Lloyds' decision to provide her with a personal loan. That matter is being considered under a separate complaint reference number and is not the subject of 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 do not think this complaint should be upheld. I know this will come as a disappointment to Miss D, but I'll explain why I think it is a fair outcome in the circumstances.

But, before I do, I would like to make it clear that 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.

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 Miss D'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 Miss D 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.

<u>November 2024 credit limit increases (CLIs 1-4)</u>

Did Lloyds carry out reasonable and proportionate checks?

Noting the proximity of these lending decisions, it seems sensible to address them together to avoid repetition.

Prior to agreeing to lend CLIs 1-4, Lloyds asked Miss D to provide some details about, amongst other things, her income, housing costs and 'other major commitments'. She was also asked to provide information about her employment status (I assume this to be from a drop-down list) and number of dependents. For each application the ‘Employment Status’ is recorded as ‘*Not Working – Independent Means*’ and the number of dependents is recorded as zero[1].

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.

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 was also 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 each lending decision and what it calculated to be Miss D’s monthly disposable income as a result.

Lending Decision	Income	Housing Costs	Other Major Commitments	Unsecured credit commitments	Essential Living Costs	Monthly Disposable Income
CLI 1	£1,600	£492	£40	£23	£538	£507
CLI 2	£1,600	£0	£0	£28	£529	£1,043
CLI 3	£1,600	£0	£0	£28	£529	£1,043
CLI 4	£1,600	£0	£0	£28	£529	£1,043

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 Miss D’s overall indebtedness. So, I’m unable to see how it arrived at the figure for ‘unsecured credit commitments’ for each CLI.

But, perhaps of more significance, Miss D made a total of seven amendments to her overdraft in the month of November 2024, comprised of three decreases and four increases. The proximity of these applications may, in and of itself, be an indicator of potential financial instability. But, putting that to one side, from CLI 1 to CLI 4 Miss D was applying for close to a five-fold overdraft limit increase in less than a month.

Whilst £1,450 may not be a particularly large overdraft, it is in the context of what happened before it reached this amount that leads me to conclude Lloyds needed to make more searching enquiries to ensure it lent responsibly, particularly when it came to CLIs 3 and 4.

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

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

[1] I recognise Miss D told our investigator that she did tell Lloyds she had no dependents. I accept that is the case and, as our investigator noted, it is plausible this field was left blank which defaults to ‘zero’ on the application. In any event, this has no bearing on the outcome I’ve reached.

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.

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’.

To be clear, I would not expect Lloyds to have conducted a forensic analysis of these bank statements. That would seem disproportionate in the circumstances. Instead, I think it could 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.

I say this because, during the Relevant Period, Miss D was in receipt of sufficient funds (and more than the figure she declared in her applications) each month in order to clear potential limits of up to £1,450 within a reasonable period of time.

In addition, I note the account was in credit for the vast majority of the Relevant Period. It looks like Miss D used her overdraft for just a few days over the entire three-month period and, when the account was overdrawn, it was only marginally so (and well within agreed limits) before quickly being brought back into credit again. So, I don’t think there was anything obvious in the way Miss D was managing her account to suggest that further borrowing would be unaffordable or unsustainable for her.

What’s more, there was no obvious indicators of financial hardship, such as regularly returned Direct Debits or reliance on payday lending to suggest Miss D was in more financial trouble than the statements indicated on the surface. And there are no obvious transactions to other lenders which would call into question the information Lloyds gathered about Miss D’s existing credit commitments.

In short, if it made more searching enquiries before agreeing to lend I think Lloyds would, reasonably in my view, have cause to conclude this to be sufficient to afford the borrowing in question and enable her to repay the whole borrowing in a reasonable period of time.

I note there were gambling transactions present on Miss D’s account during the Relevant Period. I’m not persuaded that Lloyds was required to conduct the kind of forensic analysis – noting the size of the lending in question – 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.

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. I think it would have concluded that Miss D would, more likely than not, be able to make the payments necessary to repay what she could owe within a reasonable period at the time the lending decisions was made.

So, I don't think Lloyds acted unfairly by agreeing to lend CLIs 1-4.

January 2025 credit limit increases (CLIs 5-9)

Did Lloyds carry out reasonable and proportionate checks?

Between the approval of CLI 4 and CLI 5, Miss D reduced her overdraft limit back to zero. Miss D then began applying for overdraft limit increases from 1 January 2025.

Prior to agreeing to lend CLIs 5-9, Lloyds carried out much the same checks as it did before. For the sake of brevity, I won't repeat them here. However, here is a summary of what those checks revealed:

Lending Decision	Income	Housing Costs	Other Major Commitments	Unsecured credit commitments	Essential Living Costs	Monthly Disposable Income
CLI 5	£0	£0	£0	£105	£520	-£625
CLI 6	£1,600	£496	£40	£105	£529	£430
CLI 7	£1,600	£496	£40	£105	£529	£430
CLI 8	£1,700	£496	£40	£105	£529	£530
CLI 9	£1,700	£496	£40	£105	£529	£530

During the application for CLI 5, Miss D declared she was 'Employed' and for CLI 6-9 she declared she was a 'Homemaker'. For all applications the number of dependents was recorded as '0' which, as before, may be due to the relevant field being left blank rather than a positive declaration on Miss D's behalf.

In addition to the above, the credit search once again revealed Miss D did not have any recent record of defaults, CCJs or missed payments.

In my view, the proximity of these applications, including two applications on the same day on two separate occasions, could be a sign of potential financial instability or overreliance on credit to get by.

Further, I note that the data Lloyds gathered prior to agreeing CLI 5 appeared to suggest Miss D was left with negative monthly disposable income. I appreciate this appears to be due to the 'Income' field showing '0' which may be due to a clerical error but, in any event, I think it was worthy of further clarification (particularly as Miss D had declared she was 'Employed') so Lloyds could satisfy itself the lending was affordable.

In that context, I'm not persuaded the checks were reasonable and proportionate.

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

I've once again turned to look at the bank statements covering the three months before these lending decisions were made (i.e. October-December 2024[2]) to get an understanding of Miss D's financial situation at the time. I'll again refer to this as the 'Relevant Period'.

As with the earlier lending decisions, 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

[2] I recognise this partially overlaps with the Relevant Period for the November 2024 lending decisions. Therefore, there will be a degree of repletion here.

this information to confirm Miss D's income and to check for obvious indicators to suggest Miss D was suffering financial hardship.

During the Relevant Period, Miss D was in receipt of sufficient funds each month in order to clear potential limits of up to £1,000 within a reasonable period of time. Further, the account was in credit for the majority of the Relevant Period. Therefore, it did not seem, at least on the face of it, that Miss D was reliant on her overdraft to get by.

And I note there were no other obvious signs of financial hardship, such as returned Direct Debits or reliance on payday lending during the Relevant Period.

I can see there were gambling transactions present on Miss D's account during the Relevant Period. However, as with the earlier lending decisions, I don't think Lloyds was required to conduct the kind of forensic analysis – noting the size of the lending in question – 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.

So I'm satisfied that even if Lloyds had conducted further checks prior to agreeing to lend, I don't think it would have seen sufficient adverse information which ought to have given it cause to decline the applications. So, I don't think Lloyds acted unfairly by doing so.

In reaching this conclusion, I do fully accept it's possible that Miss D's position might have been worse than what it looks like from the information Lloyds gathered (or ought to have gathered), or that it worsened after the overdraft was granted. 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 overdraft borrowing.

So, I don't think Lloyds acted unfairly when it approved the lending in question.

<u>Did Lloyds act unfairly in any other way?</u>

After CLI 9 was approved, Miss D then reduced the overdraft limit to £500[3]. Following this, Miss D sought to then increase her overdraft limit back to £1,000. This application was automatically declined by Lloyds' systems which cited affordability and account management concerns.

I can see, as part of her initial complaint to Lloyds, Miss D has said that Lloyds acted unfairly by refusing this application. In doing so, Miss D said that her circumstances had not changed since the (recently) approved limit increase applications. Miss D says that the decision to decline her application caused her financial hardship and, as a result, she "*fell behind with other bills and had to resort to payday loans and credit cards...*".

It's important to remember that, for accounts like Miss D's, Lloyds doesn't offer customers a guaranteed overdraft. Whether or not to provide one is a decision for it to make on a case-by-case basis. And Lloyds will consider every application for credit on its own merits and in accordance with its lending criteria. Moreover, Lloyds doesn't need to provide a detailed reason why it might turn down an application.

Lloyds explained it takes several factors into consideration when it assesses such

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[3] I understand Miss D used at least some of the personal loan – which is the subject of a separate complaint – to facilitate this overdraft reduction.

applications, including details provided by the applicant, what it already knows about the applicant and information from credit reference agencies checks, as evidenced by the steps it took prior to agreeing CLIs 1-9. I'm also aware that the rules Lloyds needs to follow – when providing an overdraft to customers – require it to consider whether the credit would be affordable for the borrower.

As I said earlier in this decision, the high-level credit file data Lloyds has provided when it approved CLIs 5-9 in January 2025 do not reveal any causes for concern. But, having looked at the running statement of her current account in January 2025 I can see Miss D was using her overdraft a little more regularly and – on occasion – she was within about £50 of the limit.

With that in mind – and noting the high frequency of recent credit limit increase applications - I'm satisfied Lloyds had genuine reasons to decline the application. So, I don't think it acted unfairly or unreasonably by basing its decision on the information available to it at the time

I understand Miss D feels that Lloyds should have approved her application. But it isn't for our service to tell Lloyds when they should lend. And Lloyds have to consider their responsibilities and obligations as a lender – including ensuring that they're satisfied an overdraft is affordable for someone. In this case, Lloyds, in line with its lending criteria, concluded the overdraft wasn't affordable for Miss D.

So, in summary, I've not seen anything to suggest that Miss D has been treated unfairly or any differently to other Lloyds customers when it applied its lending criteria.

I can see the contemporaneous call notes show Miss D contacted Lloyds on 28 January 2025 to express dissatisfaction with the decision to decline her application. The notes suggest that, during this call, Miss D provided reasons why she was struggling – including mental and physical ill-health – and therefore needed access to the funds to get by. Some of these points were reiterated in her submissions to our service.

I understand this must have been very distressing for Miss D and I'm really sorry to hear about the difficulties she was having at the time and possibly continues to experience today. And I would like to thank Miss D for sharing this information, which I imagine wasn't easy to do.

Whilst this wouldn't be grounds for a responsible lender to approve an application for more borrowing, I would expect Lloyds to take steps to help Miss D. The contemporaneous call notes indicate Lloyds agreed a temporary £20 overdraft limit increase to enable Miss D to access her carers allowance. I also understand Lloyds agreed a 30-day freeze on interest and charges to "*allow* [Miss D] *time to put together a budget and seek any independent advice she may need".* And Miss D was advised that Lloyds would need an income and expenditure (I&E) form to be completed to look at Miss D's options moving forwards. Looking at things in the round, I'm satisfied Lloyds took reasonable steps in response to Miss D notifying it of her difficult situation.

The available evidence does not suggest Lloyds was provided with I&E information. Or, if it was, it did so after the point Miss D raised her complaint. Therefore, any concerns Miss D may have about what steps took (or didn't take) in response to receipt of a I&E form fall outside the scope of this decision and would need to be raised as a separate matter.

If Miss D has not yet provided her I&E information I note, in response to her complaint, Lloyds invited her to contact its Customer Financial Assistance team to discuss her options if she is still struggling. If Miss D hasn't already done so, I would encourage her to contact Lloyds to understand what support is available.

Summary

I understand this will come as a disappointment to Miss D, however, having carefully considered all the facts of this case, I don't think Lloyds acted unfairly by providing Miss D with the overdraft limit increases. And I do not think it acted unfairly when declining her application to increase her overdraft in late January 2025.

Finally, 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 lent irresponsibly to Miss D or otherwise treated her unfairly in relation to this matter.

I also 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

For the reasons I've explained, 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 30 December 2025.

Ross Phillips
Ombudsman