

The complaint

Mr H complains that Lloyds Bank PLC lent to him irresponsibly.

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.

On April 2003, Mr H applied for an overdraft which Lloyds approved. Owing to the passage of time, it appears the initial credit limit is unknown. However, the limit was subsequently increased and decreased multiple times as follows:

| Overdraft Limit Increase (OLI) Number | Date | Credit Limit |
|--|------------------------|---------------------|
| 1 | 7 August 2015 | £2,000 |
| 2 | 25 March 2016 | £2,400 |
| 3 | 30 January 2017 | £2,700 |
| 4 | 30 June 2017 | £3,200 |
| Overdraft Limit Decrease | 21 February 2018 | £2,700 |
| 5 | 13 June 2018 | £3,200 |
| 6 | 1 October 2018 | £3,600 |
| Overdraft Limit Decrease | 11 July 2021 – present | £3,000 |

In January 2024, Mr H – via a professional representative (PR) - complained to Lloyds about its decision to lend. In doing so PR alleged Lloyds, when making its various lending decisions, breached The Lending Code, the Consumer Credit sourcebook (CONC) and the OFT Irresponsible Lending Guidance. It also said, on the basis of Lloyds' alleged breaches, there was an unfair relationship between it and Mr H under section 140A of the Consumer Credit Act.

Lloyds did not issue a final response letter within the relevant timeframe. As a result, PR referred the complaint to our service in late April 2024.

In June 2024, Lloyds issued its final response. In doing so, it did not uphold Mr H's complaint about its decision to lend. Although it did offer £25 compensation to reflect the distress and inconvenience caused by its delay in responding to the complaint.

In the months that followed there was dialogue between our service and Lloyds concerning our jurisdiction in this matter. However, in December 2024, Lloyds consented to our service considering the merits of this complaint in full.

One of our investigators looked into the complaint and, in January 2025, issued their findings in which they upheld the complaint in part. In short, our investigator said that whilst Lloyds made fair lending decision with regards to the initial overdraft and OLI 1, it did not do so when it approved OLI 2 in March 2016. As a result, our investigator recommended Lloyds re-work Mr H's account so that all interest, fees and charges applied from 25 March 2016 onwards are removed and, if applicable, overpayments be returned to Mr H.

PR, on behalf of Mr H, accepted our investigator's opinion, but Lloyds didn't. In doing so, Lloyds provided further information. As a result, our investigator issued their second set of findings in February 2025. In this view, our investigator said Lloyds did not act unfairly with regards to the initial lending decision or OLI 1-4, but it did act unfairly when it approved OLI 5 in June 2018. As a result, our investigator recommended Lloyds re-work Mr H's account so that all interest, fees and charges applied from 13 June 2018 onwards are removed and, if applicable, overpayments be returned to Mr H.

Again PR, on behalf of Mr H, accepted our investigator's opinion. But Lloyds didn't and, in doing so, provided reasons why. As a result, our investigator reviewed the complaint again and, in June 2025, issued a third view in which they said that the complaint should not be upheld.

PR, on behalf of Mr H, did not agree. In doing so, it said: *based on our review of the statements provided, our client is consistently overdrawn from approximately 2019 and rarely had funds in his savings account which would have allowed him to clear the balance of the overdraft.*

Lloyd did not respond to our investigator's third set of findings.

As an agreement couldn't be reached, the complaint has been passed to me to decide.

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.

As I've said, having done so, I've reached the same conclusion as our investigator did in their third and final set of findings. This being that I don't think this complaint should be upheld. I know this will be disappointing for Mr H, 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 Mr H's complaint.

Initial lending decision and OLIs 1-6

In his second view, our investigator did not uphold Mr H's complaint about Lloyds' initial lending decision or CLIs 1-4. And, as I set out in the prior section, PR accepted our investigators findings.

I recognise there was a subsequent view issued in which our investigator did not uphold Mr H's complaint about all of the lending decisions. But there is nothing in PR's response to that view which suggests it now disagreed with our investigator's conclusions concerning the initial lending decision or OLIs 1-4. So, it seems these lending decisions are no longer in dispute.

What's more, PR's response to our investigators final set of findings only points to Mr H's overdraft usage – and absence of available savings - from 2019 onwards as cause to uphold the complaint. As this post-dates the point at which both CLI 5 and 6 were agreed, it seems these lending decisions are no longer in dispute as well.

With all of that being the case, I see no reason to say much with regards to the initial lending decision or any of the subsequent credit limit increases. Instead, this decision will focus on whether Lloyds acted fairly from 2019 onwards – this being when PR says Mr T was using his overdraft regularly.

However, for completeness, I agree with the overall outcome our investigator reached with regards to the initial lending decision and all the subsequent credit limit increases - this being that I don't think Lloyds acted unfairly when providing these facilities.

Annual review – 2019

The rules, guidance and good industry practice in place typically require a bank to review an account on an ongoing basis. And it is generally accepted that a bank should review a customer's overdraft usage on an annual basis. I have considered what Lloyds would have identified based on ongoing monitoring and reviews carried out at the renewal dates. In the absence of evidence to suggest otherwise, I have assumed the reviews took place in October each year – this being one year on from the last credit limit increase.

I've considered whether Lloyds ought to have stepped in and taken corrective measures on the overdraft if it ought to have realised Mr H was in financial difficulty. I can see Mr H was using his overdraft regularly at this time. It could be argued that regular use of an overdraft is, in itself, an indication that a customer is struggling. However, this is not the same as saying that prolonged and repeated overdraft usage by a customer will always mean that they are, as a matter of fact, in financial difficulty. I think it's important to look at overall circumstances of a customer's overdraft usage as part of considering their overall financial position.

Having done so, it looks like Mr H's primary income was not regular – which is perhaps to be expected bearing in mind Mr H was self-employed – however, he was in receipt of sufficient credits to clear the overdraft within a reasonable period of time. Indeed, I note the account was brought into credit, albeit briefly, each month. As Mr H was still able to clear the overdraft for periods, I do not find I have enough to say at this point that the debt had become hardcore borrowing.

And while I'm not seeking to make retrospective value judgements regarding Mr H's expenditure, it included a reasonable amount of non-contractual and discretionary transactions which could reduce Mr H's overdraft. Lloyds could (reasonably in my view) conclude Mr T's income was sufficient to afford the borrowing in question and enable him to repay the whole borrowing in a reasonable period of time.

In short, whilst I agree that Mr H's overdraft use was reasonably consistent, I think that reflects the way the account was being used rather than any financial difficulties he was experiencing at the time.

I don't think Lloyds acted unfairly by allowing Mr H to continue to use the facility and charging him for doing so.

Annual Review – 2020

Mr H's overall pattern of overdraft usage remained largely the same. He was using his overdraft for prolonged periods, and there periods when the account was in credit (for example, May-June and August). So, as with my findings in relation to the 2019 annual review, I do not find I have enough to say at this point that the debt had become hardcore borrowing.

In addition, Mr H's pattern of income remained largely the same, with irregular but sufficient credits entering the account to clear the overdraft within a reasonable period of time. His disposable income was such that the overdraft remained affordable to him.

However, unlike the previous annual review, for most of the year Mr H had sufficient funds in his other Lloyds account which could have been used to significantly reduce his overdraft during this period should he have wished to do so.

So, I don't think Lloyds acted unfairly by allowing Mr H to continue to use the facility and charging him for doing so.

Annual Review – 2021, 2022 and 2023

Mr H's pattern of overdraft usage – as well as the pattern of income and expenditure – remains largely consistent throughout these years. With that being the case, and to avoid repetition, I have combined them within this decision.

Throughout this period, I can see Mr H was using his overdraft regularly with brief periods when the account was brought into credit. However, there is a degree of discretionary expenditure here and the credits going into his account suggested Mr H could have maintained his existing commitments and cleared his overdraft within a reasonable period of time had he wished to do so.

What's more, for long periods of 2021 in particular, I note Mr H held a credit balance in another account with Lloyds which was sufficient to clear the overdraft in its entirety should he have wished to do so.

Furthermore, there were no other obvious signs of financial stress and strain, such as reliance on payday lending or regular returned Direct Debits throughout this period. The account appears to be maintained within agreed limits.

I have not gone on to consider the annual review in 2024 as this review post-dates the letter of complaint and subsequent final response letter. Therefore, it does not fall within the scope of this decision.

Did Lloyds act unfairly or unreasonably in some other way?

Overall and having carefully considered everything, I don't think that Lloyds lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here. I appreciate this will be very disappointing for Mr H but, for the reasons I've explained, I think this is a fair outcome in the circumstances.

While I note the issues PR has raised on behalf of Mr H – in particular I can see there were extended periods when Mr H was spending time in his overdraft - he was able to clear the overdraft and at times had savings available to him, so I do not find in this case I have enough to say that Lloyds should have identified the overdraft use as hardcore borrowing or as being unaffordable for Mr H.

I note Lloyds has offered Mr H £25 for the delay in responding to his complaint. It is my understanding this has already been paid. If it has not been paid, I leave it up to Mr H to decide whether to accept this offer. If so, he should get in touch with Lloyds directly to discuss this further.

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 H to accept or reject my decision before 29 August 2025.

Ross Phillips
Ombudsman