

## The complaint

Mr G has complained that Lloyds Bank PLC ('Lloyds') irresponsibly agreed to grant him an overdraft facility followed by limit increases that he couldn't afford. He says by doing so Lloyds acted irresponsibly and so worsened his financial situation.

## What happened

Mr G was first given an overdraft facility by Lloyds on 18 February 2019. The agreed overdraft was £250 but was increased to £500 later that day at Mr G's request. There followed a series of increases and decreases to the overdraft limit between then and August 2020. The overdraft reached £900 in August 2019. By August 2020 the limit had gone down to £750.

Lloyds looked into Mr G's complaint. Having noted that the account later defaulted, it says it should have supported Mr G sooner. So it made a refund of fees and charges from January 2020 until the account was closed in April 2021.

In my provisional decision dated 5 August 2025 I explained why, unlike our investigator, I wasn't intending to uphold Mr G's complaint. Essentially, I thought Lloyds had acted reasonably when increasing Mr G's overdraft from £250 to £500 – which is the point in February 2019 where our investigator upheld it. I took on board that Mr G had been receiving an irregular income and had recently gone on to receiving state benefits. But I also thought, given that the increase wasn't substantial and appeared to have been requested by Mr G for a specific purpose, that Lloyds had acted reasonably in agreeing to it. And once Mr G had started earning a more regular income again, I didn't think Lloyds was wrong to have increased it further.

I set out an extract below:

*"Mr G's application details said that he was employed, had no credit commitments and no housing costs, such as rent, which he had to budget for. The credit position was consistent with what it found on the check it ran. I would add here that I've seen by July 2019 Mr G said he was having to pay towards housing costs*

*Lloyds has pointed out that Mr G had already been banking with it for several years – he first opened his current account in July 2012 - before he applied for the overdraft facility. Against what it already knew, Lloyds didn't consider that an overdraft level of £500 was something Mr G might not be able to repay on a sustainable basis over a period of time.*

*Looking at what reasonable and proportionate checks would have been likely to have shown, I've thought about what Mr G's bank statements tell us about his financial situation at the time.*

*It's fair to say that Mr G's income flow was irregular in the 3-4 months leading up to his February 2019 overdraft applications. He was receiving ad hoc payments of small sums of money from family members and possibly friends. In October 2018 he received earned income of £138 and in November the figure was £187. In late November 2018 he looks to*

*have started a new job which meant he received around £1,100 between December 2018 and January 2019. In February 2019 that income source appears to have ended and so instead Mr G began to receive state benefits. By 18 February 2019 – the day before he made the first two overdraft applications - he'd received £360 in benefits.*

*I've seen that shortly after being granted the first and second overdraft limits, Mr G used around £300 of available funds from his account to pay for what looks to be car insurance.*

*Our investigator took the view that it was reasonable for Lloyds to grant the first overdraft of £250 but not the second one. He said this because Mr G's income at that time averaged out to be less than £500. So it was likely to put Mr G's finances under financial strain.*

*An overdraft is intended to be for short-term or emergency use. In Mr G's case, it appears that after a short period of receiving income, he now found himself without work and reliant on benefits. I appreciate that increasing his overdraft at this time would mean he would have to be careful with his finances and would be incurring regular overdraft fees. I've noted from the bank statements that Mr G was paying for car running costs and some food but not the full range of household costs. Mr G needed the additional funds to pay what was an essential cost that it would be difficult to avoid, short of selling his car. So it seems to be an unavoidable expense which Mr G had to fund somehow. Given the benefits income he was now receiving he did have a source of income which meant that over time he would be able to reduce his overdraft use, especially once his income flow improved.*

*In my opinion, Lloyds acted reasonably when increasing the overdraft from £250 to £500. The decision took into consideration Mr G's past level of income – from earnings and also the ad hoc payments he was receiving. Against that background, I don't consider a £500 to be excessive and it was reasonable to take the view that he'd be able to repay it within a reasonable period of time.*

*Going forwards in time, when Mr G was receiving a steady earned income each month, I also don't think Lloyds acted unfairly in going on to increase his limits as it did up to August 2019, when it reached £900. By this point Mr G could be seen to be receiving a regular earned income. He was continuing to use his overdraft but was becoming increasingly less reliant on it. This would also account for his overdraft being reduced first to £600 and then to £300, also in August 2019.*

*I therefore currently consider that in 2019 Mr G was making use of his overdraft on the basis that it was intended. It's correct to say that he was making regular use of his overdraft, but after several months of using it with higher limits he was able to steadily reduce his reliance. Whilst any ongoing use of an overdraft facility is an issue of potential concern, I think that in Mr G's case, his use of his account shows he was managing his finances reasonably well and applying a measure of prudent control over his spending.*

*To summarise, I don't think Lloyds made unfair lending decisions when agreeing to provide either the initial or the later overdraft limits. From what I've already seen from what the bank statements show of Mr G's income and spending, I'm satisfied that Lloyds was entitled to conclude he could repay within a reasonable period of time. His initial borrowing took place at a time when his income was fluctuating but was not at too high a level to mean he'd be likely to get into difficulty when repaying it or that it wasn't feasible for him to repay it over time. Over the months that followed he was able to manage his income and spending to the point where he wasn't making heavy use of his overdraft."*

## **Responses to my provisional decision**

Lloyds acknowledged receiving my provisional decision and didn't have anything more it wanted to add.

Mr G has responded with some comments on my provisional decision. I'll summarise what he's said as follows:

- Lloyds' lending decisions weren't responsible or proportionate given the information it had at the time about Mr G's financial situation;
- Lloyds had a long-standing knowledge of Mr G being a Lloyds customer and so ought to have been aware of his relying on his overdraft, his lack of stable income and the spending patterns that indicated hardship;
- Even though he was eventually able to reduce his reliance on his overdraft, Mr G still remained overdrawn and incurring fees and went on to have his account defaulted in 2021;
- The way he was reliant on his overdraft for essential living costs was a clear sign of financial distress;
- Lloyds didn't take steps to help Mr G, for example by offering a repayment plan or referring him for debt advice;
- There are many similar complaints about overdrafts where we've found that the lender failed to carry out proportionate checks; and
- Mr G also wanted to emphasise the real and lasting impact the lending has had on him and its impact on his health.

### **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.

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 this complaint.

Lloyds needed to make sure it didn't lend irresponsibly. In practice, what this means is Lloyds needed to carry out checks that were reasonable and appropriate in order to understand whether Mr G could afford to repay any credit facility it provided to him.

Our website sets out what we typically think about when deciding whether a lender's checks are appropriate. 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.

I've considered everything Mr G has said in response to my provisional decision very carefully. I'm grateful for him taking the time to set out his views. However, I think the issues he's raised are ones that I've talked about in my provisional decision.

When preparing my provisional decision, I thought carefully about the fact that Mr G already had a long-standing relationship with his bank. I can see how on the one hand, as Mr G suggests, based on that relationship Lloyds might have thought again about increasing his overdraft. But equally, I think it's reasonable for Lloyds to have increased it, given that increasing his overdraft from a very modest level of £250 to £500 was something Mr G would benefit from in the short term and would be able to pay back steadily in the longer term.

Once Mr G was earning again, I've said that it was reasonable for Lloyds to continue to increase his overdraft limit. I don't disagree that ongoing reliance on it without any improvement in terms of reducing it, is something Lloyds might need to act on. But that wasn't exactly the case here as Mr G was receiving a regular salary. And whilst I wouldn't disagree that some of his spending was on non-essential items, I could see it wasn't at such a level that he wasn't able to have some control over his financial situation and steadily improve it.

I don't underestimate the fact that Mr G had to be careful with his finances and that there were times when he may have felt overstretched. But what I can't say is that his overdraft use showed such heavy reliance with signs of financial problems that there was a real risk of it leading to deterioration and that Lloyds ought to have taken steps to reduce his reliance on it.

Once again, I recognise that this finding will come as a disappointment to Mr G. I appreciate that it may be a source of frustration to him, but I would like to assure him that I made my finding following a detailed review of his complaint and based on his specific circumstances.

That doesn't detract from the fact that he has been through a difficult time, and I do not underestimate the impact his financial difficulties have had on him. But having again considered all the available evidence and information, especially from the time of the decision to further increase Mr G's overdraft in February 2019, I've not seen enough for me to change my decision.

I've also again considered whether the relationship between Mr G and Lloyds might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given – both here and in my provisional decision - I don't think Lloyds lent irresponsibly to Mr G or otherwise treated him 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.

### **My final decision**

For the reasons I've given, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 12 September 2025.

Michael Goldberg  
**Ombudsman**