

The complaint

Mr S complains that Lloyds Bank PLC ("Lloyds") provided him with a loan with an interest rate that was unfairly high.

What happened

Mr S took out a loan with Lloyds in 2019 for £25,000. It had a loan term of 84 months with monthly repayments of £499, and an APR of 17.5%.

In March 2025, Mr S complained to Lloyds. He said he felt the interest rate was disproportionately high when considering his credit score and financial circumstances at the time. He feels the interest rate was significantly higher than market 'norms' and requested he was refunded excess interest above 5-7% APR.

Lloyds responded to the complaint. They said they took into account his circumstances to offer the most favourable rate, and he signed the agreement at the time so they didn't feel they'd treated him unfairly.

Mr S didn't agree and referred his complaint to our Service. An Investigator here looked into things, and they agreed that Lloyds didn't act unfairly. They said Lloyds had provided Mr S with enough information at the time to decide whether he wanted to agree to the loan terms, and he did, so they wouldn't be asking Lloyds to do anything differently.

In response to the opinion, Mr S said he accepts the interest rate was disclosed, but his complaint is about fairness and he feels the rate was unfairly high. He said he feels on top of a rebate of interest, he wants £500 in compensation for distress. Mr S sent an offer he received from another lender with a lesser interest rate for the same amount of money.

Because 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.

It's clear this matter means a lot to Mr S, and I understand he must be frustrated to think there are loans for the same amount with a much smaller interest rate. But having considered the complaint, I'm in agreement with the Investigator. I appreciate this will disappoint Mr S, so I'll explain my reasoning below.

In his responses Mr S has referred to rules and guidance set out by the Financial Conduct Authority (FCA), amongst other points, to support why he thinks Lloyds has treated him unfairly. When deciding this case, among other things, I'll take into account relevant laws and regulations, guidance and standards. But I'll ultimately be deciding the case on what I think is fair and reasonable overall.

Mr S feels his circumstances at the time ought to have granted him access to a preferential rate of interest – lower than the 17.5% offered. The interest rate is determined by a number of factors including the amount borrowed, the term of the loan and the individual's personal circumstances. It's not exclusively based on a customer's credit score or payment history.

I don't expect Lloyds to share their underwriting criteria as it's commercially sensitive information. Lloyds are entitled to determine what terms they offer their products on, at what rate and to whom. That's not something myself or this Service can interfere with. I can just review whether or not they've treated Mr S in a way that's unfair – and I can't see they have.

Mr S has told us his complaint isn't about transparency, so I won't go over what he was made aware of at the time of application, but he was entitled to accept or decline the offer and shop elsewhere. I note his references to another offer for a loan with a lower interest rate, but each different lender can provide their own terms and decide whether or not they accept their customers at that rate. Mr S chose to take out this loan with Lloyds knowing the terms that were on offer. He signed the contract and so the agreement was binding.

I can't see Lloyds have done anything to treat him unfairly, and if Mr S is struggling to meet the repayments as they are, he should reach out to Lloyds to discuss how they can help.

My final decision

It's my final decision that Lloyds Bank PLC didn't treat Mr S unfairly, and I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 December 2025.

Meg Raymond
Ombudsman