

The complaint

Mrs S complains Lloyds Bank PLC lent to her irresponsibly when they approved her applications for overdrafts on her accounts. She also says they failed to adequately monitor her use of those overdrafts.

What happened

Mrs S complains about Lloyds' lending decisions below and says they failed to monitor her reliance on borrowing:

Account ending 6268

Date	Existing limit	New limit
14 March 2019	£0	£100
14 June 2019	£100	£300
14 June 2019	£300	£500
14 August 2019	£500	£900
8 October 2019	£900	£1,100

Account ending 5068

Date	Existing limit	New limit
12 July 2019	£0	£200
15 July 2019	£200	£550
15 July 2019	£550	£1,000
8 October 2019	£1,000	£1,100
5 December 2023	£1,100	£1,050

Lloyds' final response explained their affordability assessments showed Mrs S could afford the borrowing, so they didn't agree they'd lent to her irresponsibly. They also said they'd reviewed her management of the account and seen she had sufficient disposable income to afford the borrowing. Mrs S remained unhappy, so she brought her complaint to our service.

Our Investigator felt Mrs S' complaint should be upheld. He didn't think it was fair for Lloyds to provide additional borrowing from July 2019 due to the combined overdraft limits on Mrs S' accounts. He also thought Mrs S use of her overdraft on account ending 6268 suggested she was reliant on credit. Because of this, our Investigator said Lloyds should refund interest and charges from July 2019.

Lloyds disagreed with our Investigator, so this complaint was passed to me for a decision.

I issued my provisional decision on 8 August 2025, and explained Lloyds should have intervened on account ending 6268 in March 2023. Both parties had until 22 August 2025 to respond.

Lloyds accepted my provisional decision, but Mrs S didn't. She explained it was affordability, rather than discretionary spend that caused her to use her overdraft to the extent she did, and that her constant use of her overdraft indicated she was experiencing financial difficulties. Mrs S is represented by a claims management company, and they also referenced a previous final decision issued by our service to support Mrs S' position.

I've taken on board what Mrs S has said, however I've not been persuaded to change my mind. So, my decision remains the same.

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 considered everything, I'm upholding Mrs S' complaint. I'll explain my reasoning below.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. This is something Lloyds is familiar with, and I've used this approach to help me decide Mrs S' complaint.

Lloyds needed to make sure they didn't lend irresponsibly. In practice, this means they needed to carry out reasonable and proportionate checks so they could understand whether Mrs S could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an "affordability assessment" or "affordability check".

The checks needed to be borrower focused – meaning Lloyds had to consider if repaying the credit sustainably and within a reasonable period of time would cause difficulties or adverse consequences for Mrs S. It wasn't enough for Lloyds to consider the likelihood of getting their funds back – they had to consider the impact of the repayments on Mrs S.

Checks also needed to be proportionate to the specific circumstances of the lending. There isn't a specific list of what constitutes proportionate affordability checks – rather it will depend on several factors, but not limited to, the particular circumstances of the consumer, and the amount/type/cost of credit they were seeking. And generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information they gather and what they do to verify it – in the early stages of a lending relationship. So, I've kept all this in mind when thinking about whether Lloyds did what they needed to before lending to Mrs S.

Before deciding to lend, Lloyds said they reviewed information Mrs S declared in her application, information gathered from credit reference agencies (CRAs), and internal modelling.

For the highest applications on both accounts in October 2019, Mrs S declared her monthly income was £1,500, and housing costs of £500. Lloyds' estimated Mrs S' essential living costs were £411 a month, and their credit checks showed she was paying around £225 a month towards unsecured credit commitments. This left Mrs S with a monthly disposable income of £364. In October 2019, she applied for a £1,100 overdraft on both of her accounts, so £2,200 in total. Given her disposable income ascertained from Lloyds' checks, I'm persuaded the overdrafts were affordable for Mrs S' circumstances.

While I'm satisfied the overdrafts were affordable, Lloyds also needed to determine if further borrowing was sustainable and repaying it in a reasonable period of time wouldn't cause Mrs S harm. Lloyds' checks showed Mrs S hadn't been declared bankrupt, had no County

Court Judgments or late payment markers. They did show she'd had two hard searches within the last six months. However, I don't consider that suggests Mrs S was struggling financially or becoming reliant on credit. So, overall, I consider Lloyds treated Mrs S fairly when they approved her applications for an overdraft and the subsequent overdraft limit increases.

Lloyds were also obligated to ensure Mrs S' overdrafts remained sustainable and affordable. And to do that, we would have expected them to review her use of the overdraft at least annually. So, by March each year for account ending 6268, and July each year for account ending 5068. To understand what those reviews would have shown, I've gone through Mrs S' statements for both accounts, since the overdrafts were put in place, until she complained in March 2024.

Our Investigator felt Mrs S' complaint should be upheld from July 2019 on both accounts. But having reviewed Mrs S' statements, I don't agree that would be fair because while she was using her overdrafts for extended periods, I don't consider that was due to affordability. Mrs S' income was in line with what she declared in her application, and her disposable income after essential spend would have been enough to repay the overdraft within a reasonable period. But that didn't happen due to her level of discretionary spend. Mrs S' statements didn't suggest she was in financial difficulties – rather they suggested her management of funds between her two accounts contributed to returned direct debits.

Mrs S' pattern of spending continued in the same manner around the time of her March and October renewal dates. Having reviewed her statements, I did see a number of returned direct debits. However, after her essential spend she had a disposable income of around £350 to £400 per month. This ought to have been enough to repay her overdraft in a reasonable amount of time. So, at this point, I think it would have been premature for Lloyds to have taken steps as drastic as removing her overdraft.

In October and December 2020, Mrs S contacted Lloyds and let them know she was struggling financially due to being furloughed and a change in her personal circumstances. I've seen copies of the contact notes from that time and can see she refused to enter a repayment plan as she was concerned it would impact an upcoming mortgage application. In response to this, Lloyds agreed to freeze interest being charged on her overdrawn balance. This occurred from the end of October 2020 to December 2020, and then from December 2020 to August 2021.

While it's not disputed Mrs S was experiencing financial difficulties, removing her overdraft wasn't the only way Lloyds could show forbearance. And given Mrs S was concerned about what would be reported to CRAs due to the change in her personal circumstances and need to apply for a mortgage, removing her overdrafts in 2021 may have caused her more harm. So, I'm satisfied Lloyds took Mrs S' personal circumstances into consideration and supported her in ways she agreed at the time was appropriate for her needs.

By the time of Mrs S' March and July 2022 renewals, her monthly income had increased to between £1,800 and just over £1,900. And after essential spending, her monthly disposable income was between £700 and £950. But despite this, she had many returned direct debits, and it appears these occurred due to the way Mrs S was managing funds between her accounts and her level of discretionary spend.

Given the frequency of missed direct debits and Mrs S' persistent use of her overdraft, I think it's right that Lloyds reached out to her about her use of the overdraft and offering support. I've seen evidence that shows they did that in January, February, May, June, July, September, and December of 2022.

I do think more should have been done in 2023. In particular, by the March 2023 renewal because Mrs S had been consistently using her overdraft for around four years. So, I think the complaint should be upheld for Mrs S' account ending 6268 at this point.

In the months prior to the March 2023 renewal Mrs S was persistently at the upper end of her overdraft. While she was receiving some child benefits into that account (around £145 a month), the funds would often be transferred out of the account. Therefore, little to nothing was being repaid of her overdrawn balance after interest was applied.

I appreciate Lloyds had sent her letters about her overdraft use. But given she hadn't been using her overdraft as intended for many years by this point, I don't think it could be fair to say letters were sufficient when it came to intervening. Mrs S' management of 6268 didn't indicate she was likely to start using the account as intended or repay what she owed within a reasonable period of time. And given her total overdraft limit was greater than her monthly income, I do think this is something Lloyds should have taken into consideration when reviewing her level of indebtedness and management of her accounts. I don't think it was fair or reasonable for Mrs S' account to continue to effectively not be used, and simply have interest accrue that kept her at the upper end of her overdraft limit – especially given it's clear Lloyds' multiple attempts to contact her by letter hadn't changed her behaviours.

The management of account ending 5068 showed this is where most of Mrs S' income was paid, and most of her expenditure came from. Mrs S' average monthly income in 2023 was between £1,700 and just over £1,900. Her income would bring her account into a credit balance, and had there been less discretionary spend, it would have been possible for Mrs S to repay her overdraft within a reasonable period of time. So, I don't consider her complaint regarding this account should be upheld.

Mrs S' representative referenced another final decision to support their assertion that her level of discretionary spend isn't relevant, and that Lloyds' should have done more because overdrafts aren't for long-term use. I'd like to remind Mrs S' representative that our final decisions do not set precedents. So, the outcome in one case doesn't determine the outcome in others that are referred to our service. My decision is based on the individual merits and circumstances of Mrs S' complaint, and I'm satisfied I've clearly set out why the evidence has persuaded me that Lloyds should have done more to support Mrs S with account ending 6268 in March 2023.

Given the reasons above, I'm upholding Mrs S' complaint, in part.

My final decision

My final decision is that I'm upholding Mrs S' complaint about Lloyds Bank PLC.

To put things right, Lloyds Bank PLC should:

- Re-work Mrs S' current overdraft balance on account ending 6268 so that all interest, fees, and charges applied to it from March 2023 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Lloyds should contact Mrs S to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mrs S' credit file, it should backdate this to March 2023.

OR

- If the effect of removing all interest, fees, and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mrs S along with 8% simple interest on the overpayments from the

date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Lloyds should remove any adverse information from Mrs S' credit file. †

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mrs S a certificate showing how much tax it's taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 19 September 2025.

Sarrah Turay
Ombudsman