

The complaint

Mr C, who is represented by a third party, has complained that Lloyds Bank PLC ('Lloyds') acted irresponsibly when it provided him with an overdraft and then went on to increase his overdraft limits. He says the overdraft was unaffordable and has asked for all interest and charges incurred on the overdraft to be refunded.

What happened

In November 2009 Mr C took out an overdraft of £500 with Lloyds. The level of overdraft went on to be increased on four occasions: July 2010 to £1,000; July 2013 to £1,750; September 2013 to £2,000 and finally in July 2021 to £2,100.

Lloyds didn't uphold Mr C's complaint. It said that his income was sufficient to cover his committed expenditure. It also said that he could've cleared his overdraft balance in a reasonable timescale if he'd managed his non-essential spending better.

In my provisional decision dated 3 June 2025, I explained why I intended to uphold Mr C's complaint in part. Essentially, I decided that having seen evidence that Mr C had become increasingly reliant on his overdraft from September 2023, Lloyds ought to have done more to help Mr C to reduce his reliance on it.

I set out an extract below:

"Going forwards, I've looked at how well Mr C was continuing to manage his overdraft. I agree with our investigator that, for the most part, Mr C's use of the overdraft shows that it remained affordable to him. However, I do think there are signs that Mr C's financial circumstances were worsening from around September 2022. It can clearly be seen in my view that Mr C was becoming increasingly reliant on his overdraft. That in turn raises the risk that his over-reliance would lead to his ability to meet financial commitments becoming overstretched.

Our investigator identified various large payments received into Mr C's account between 2018 and 2023. He makes the point that these could have been used by Mr C to reduce the amount he owed on his overdraft. I accept that Mr C had a level of responsibility for managing his own finances. But Lloyds also had various responsibilities and duties and so I've considered those too.

As I've mentioned above, CONC 5D.2 sets out a business's obligation to identify and monitor repeat use of overdrafts and its obligation to identify customers in actual or potential financial difficulty. Some examples of things that might indicate financial difficulties given are, use of other products which may indicate a fall in disposable income, an upward trend in a customer's use of the overdraft over time or where a customer has become or remained overdrawn in every month over a 12-month period. It's Mr C's steadily increasing use and reliance on his overdraft that I'm especially focusing on here.

Where there are signs that a customer is (or might potentially be) suffering financial

difficulties, CONC 5D.3 sets out that a business must get in touch with the consumer and request that they engage with it. And if that doesn't happen the business needs to contact the consumer C again, setting out options designed to help them. And finally, if the consumer hasn't engaged with the business after a reasonable period, it can consider whether it wishes to continue offering the level of overdraft or whether to reduce it.

I've not able to identify any particular failings arising from Mr C's overdraft use between 2009 and 2021. I've noted that between July and September 2019 Mr C was making heavy use of his overdraft but I don't think there's enough to show or suggest that C was experiencing a level of financial difficulty that might mean his overdraft was becoming unaffordable for him.

He was granted an increase of £100 – from £2,000 to £2,100 – in July 2021. At that time it's fair to say that he was making consistent use of his overdraft each month but not becoming overly reliant on it. Typically, he was receiving enough income each month to bring his account back into credit. Up to September 2022, whilst he was still making regular use of the facility, he was relying on it less often. From September that year, however, it appears that Mr C's circumstances may have changed – although he was still continuing to receive a regular income - such that he was rarely in credit. This pattern continued into 2023. By June 2023, Mr C was constantly in his overdraft. And from July he was often showing an overdraft balance in excess of £1,500, with much of July, August and September being at a level that was at or close to his overdraft limit. This continued through to the end of 2023 and into 2024.

I therefore consider that Lloyds ought to have taken steps to assist Mr C with his overdraft borrowing and then taken action to help prevent his financial position from continuing to deteriorate. I've seen that Lloyds says it sent regular communications to Mr C between February 2021 and September 2024 to ensure he was aware that he was making regular use of his overdraft as well as the cost to him. However, I think Lloyds needed to recognise that Mr C's increasing reliance on his overdraft raised a significant risk of financial harm if it was allowed to continue.

It follows that I think that by September 2023, when conducting a review of Mr C's overdraft use in the previous 12 months, Lloyds was in a position to have identified his pattern of heavy overdraft use and that the overdraft was not being used on a short-term, limited basis.

I therefore don't consider that Lloyds acted fairly in allowing Mr C to continue to operate his overdraft in this way from September 2023. It needed to take steps to intervene, provide him with forbearance and take active steps to enable him to reduce his level of overdraft debt. It follows that Lloyds didn't do enough to help Mr C when it became apparent that there was a real risk that his finances were worsening, to the extent that the overdraft had become unaffordable and it was unlikely that Mr C would be able to repay it sustainably. Lloyds didn't properly follow the guidance as set out in CONC, and so I don't think it did enough to help Mr C and provide support.”

Lloyds accepted my uphold finding and provided details of the interest charges it would be refunding. It also said that as an outstanding balance still remains, Mr C should look to arrange an affordable payment plan with Lloyds for the outstanding amount.

The third party representing Mr C acknowledged receipt but asked for an extension to seek Mr C's instructions. This was agreed as were a further three extensions, with the most recent one ending on 3 September 2025.

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.

I've seen that the third party representing Mr C was having difficulty in obtaining Mr C's instructions. They have said this is due to Mr C working full time whilst also caring for a close family member. I am sorry to hear of this and I fully appreciate that Mr C's available time will be limited. However, it is now more than three months since my provisional decision and we have given Mr C four extensions of time to allow him time to respond.

I am therefore issuing my final decision in the same terms as my provisional finding in June. It remains open to Mr C to decide whether or not he wishes to accept what I have said and the redress I have set out.

I also strongly recommend that Mr C makes contact with Lloyds to arrange an affordable payment plan

I've considered whether the relationship between Mr C and Lloyds might have been unfair under S.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr C results in fair compensation for him in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

What Lloyds needs to do to put things right

For the reasons set out, I think it's fair and reasonable for Lloyds to refund interest and charges incurred by Mr C as a result of the credit unfairly extended to him. Therefore, Lloyds should rework the account and:

- Rework the account so any charges and interest applied to it on sums from 23 September 2023 (being the account review date) are refunded. This refund should be used to reduce any outstanding balance on the account.
- If the refund clears the adjusted balance any funds remaining should be refunded to Mr C along with 8% simple interest per year* - calculated from the date of overpayment to the date of settlement.
- If after all adjustments have been made Mr C no longer owes any money, then all adverse information regarding this account should be removed from his credit file from 23 September 2023.
- Or, if an outstanding balance remains, Lloyds should look to arrange an affordable payment plan with Mr C for the outstanding amount. Mr C should note any payment arrangement will affect his credit file until the debt is repaid. Once Mr C has cleared the balance, any adverse information should be removed from the credit file and backdated to 23 September 2023.

*HM Revenue & Customs requires Lloyds to deduct tax from any award of interest. It must give Mr C a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

My final decision is that I uphold this complaint in part and require Lloyds Bank PLC compensate Mr C in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 October 2025

Michael Goldberg

Ombudsman