

Complaint

Mrs T has complained that Lloyds Bank PLC (“Lloyds”) irresponsibly provided a credit card as well and subsequent credit limit increases to her. She says that all of this credit was unaffordable and resulted in her having to borrow further.

Background

Lloyds initially provided Mrs T with a credit card, which had a credit limit on £1,250.00 in January 2015. The limit on the card was increased at the following times:

Date	Limit increase to:
October 2015	£2,500.00
October 2016	£3,250.00
January 2020	£3,750.00
November 2021	£4,750.00

In September 2024, Mrs T complained saying that the credit card and the limit increases Lloyds provided were unaffordable and caused her continued financial difficulty as it resulted in her having to take out further lending.

Lloyds didn’t uphold Mrs T’s complaint. Mrs T remained dissatisfied after Lloyds’ response and referred her complaint to our service. When it provided its file of papers Lloyds told us that it believed the complaint about the decision to provide the card as well as the first two limit increases were made too late.

One of our investigators reviewed what Mrs T and Lloyds had told us. He thought that he hadn’t seen enough to be persuaded that Lloyds failed to act fairly and reasonably either when initially providing Mrs T with her credit card, or the credit limit increases it did. This meant that the investigator didn’t recommend that Mrs T’s complaint be upheld.

Mrs T disagreed with the investigator’s conclusions and asked for an ombudsman to look at her complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. Lloyds has argued that Mrs T’s complaint was made too late because she complained more than six years after the decisions to provide the credit card and the first four credit limit increases; as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Our investigator explained why it was reasonable to interpret the complaint as being one alleging that the relationship between her and Lloyds was unfair to her as described in s140A of the Consumer Credit Act 1974 ("CCA"). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I've decided not to uphold Mrs T's complaint. Given the reasons for this, I'm satisfied that whether Mrs T's complaint about the specific lending decisions was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Mrs T's complaint should be considered more broadly than just those lending decisions. I consider this to be the case as Mrs T has not only complained about the respective decisions to lend but has also alleged that the repayments unfairly resulted in her having to take out further lending going forward.

I'm therefore satisfied that Mrs T's complaint can therefore reasonably be interpreted as a complaint about the fairness of her relationship with Lloyds. I acknowledge Lloyds still doesn't agree we can look at Mrs T's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Mrs T's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mrs T's complaint can be reasonably interpreted as being about the fairness of her relationship with Lloyds, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Lloyds) and the debtor (Mrs T), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Mrs T's complaint, I therefore need to think about whether Lloyds' decision to lend to Mrs T and increase her credit limits, or its later actions resulted in the lending relationship between Mrs T and Lloyds being unfair to Mrs T, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mrs T's relationship with Lloyds is therefore likely to be unfair if it didn't carry out reasonable enquiries into Mrs T's ability to repay in circumstances where doing so would have revealed the credit card or limit increases to be irresponsible or unaffordable. And if this was the case, Lloyds didn't then remove the unfairness this created somehow.

I've considered Mrs T's complaint in this context.

Were the decisions to provide the credit card and subsequent credit limit increases unfair?

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 Mrs T's complaint.

Bearing in mind Mrs T's response to our investigator, I think that it would be helpful for me to set out that we consider what a firm did to check whether any repayments to credit were affordable (asking it to evidence what it did) and then determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion. Indeed, the requirements have not and still do not mandate a list of checks that a lender should use. Any rules, guidance and good industry practice in place over the years has simply set out the types of things that a lender could do when considering whether to lend to a prospective borrower.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was fair to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments that a prospective borrower might have to make were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

Lloyds' decisions to provide Mrs T with a credit card which had a credit limit of £1,250 in January 2015

Lloyds says it initially agreed to Mrs T's application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs T would be able to make the low monthly repayments due for this credit card.

On the other hand, Mrs T says that the credit card and the subsequent limit increases were unaffordable and caused ongoing hardship as she had to borrow from elsewhere as a result of the payments she had to make to Lloyds.

I've considered what the parties have said.

What's important to note is that Mrs T was provided with a revolving credit facility rather than a loan. This means that to start with Lloyds was required to understand whether Mrs T £1,250.00 within a reasonable period of time. It's fair to say that the required monthly payments in order to clear the full amount that could be owed, as a result of a credit limit of £1,250.00 wasn't especially high.

I've seen records of the information Lloyds obtained from Mrs T about her income and what was on the credit search carried out. I note that Mrs T has said that she told Lloyds she needed this card because she was about to leave the United Kingdom ("UK") and therefore she would be unemployed.

However, the record from the application showed that Mrs T declared having an annual income of £15,000.00 as well as the fact that she was living at home with parents. Furthermore, Mrs T was being sent her credit card statements to a UK address and I also have to question how Mrs T thought she would be able to make her repayments if she was about to become unemployed.

Lloyds hasn't been able to provide any details on what it found out about Mrs T as a result of the credit checks that it carried out prior providing the card. Given this application took place more than a decade ago, I don't think that this lack of information is unreasonable. Therefore, I've not drawn any adverse conclusions as a result of Lloyds not being able to provide this credit check information.

In any event, I'm also mindful that I've not been provided with any information and neither has it even been argued, that Mrs T had any significant adverse information recorded against her at the time. While Mrs T has referred to other credit she was provided with, this all appears to be after she was provided with this credit card.

Lloyds argues that the information that Mrs T declared on her income combined with the credit file information meant that it was reasonable to conclude that Mrs T could afford this credit card.

I don't know what Mrs T told Lloyds at the time of application. But having reviewed the information which remains from the application and bearing in mind the relatively low monthly repayments required in order to clear a balance of £1,250.00 within a reasonable period of time, I'm satisfied that it wasn't unreasonable for Lloyds to provide Mrs T with this credit card.

As this is the case, I'm satisfied that it wasn't unfair for Lloyds to offer Mrs T a credit card with a limit of £1,250.00 in January 2015 and therefore there was no unfairness created at this stage.

Did Lloyds carry out reasonable and proportionate checks before deciding to offer the credit limit increases to Mrs T?

As I've explained in the background section of this decision, Lloyds increased Mrs T's credit limit on four occasions. It firstly increased Mrs T's credit limit to £2,500.00 in October 2015, £3,250.00 in October 2016, £3,750.00 in January 2020 and finally £4,750.00 in November 2021.

Lloyds' records appear to suggest that it wasn't aware of Mrs T having any County Court Judgments, or defaulted accounts, recorded against her at the respective times of these limit increases. Equally, I've not seen anything to indicate that Mrs T had any such adverse significant information recorded against her either.

Nonetheless, as Mrs T was being provided with limits of between £2,500.00 and then £4,750.00, the amount Mrs T could owe and could have to pay each month leads me to think that Lloyds to have found out more about Mrs T's income and expenditure before providing these credit limit increases.

As Lloyds has been unable to evidence having done this, I don't think that the checks it carried out before it increased Mrs T's credit limit in October 2015, October 2016, January 2020 and November 2021, were reasonable and proportionate.

As this is the case, I now need to consider whether Lloyds conducting enquiries of the sort I've referred to would have made a difference to its decisions to lend. And it is only fair and reasonable for me to uphold the complaint should I be satisfied that Lloyds doing more would have resulted in it taking a different course of action – in this case, refusing to increase the credit limit on Mrs T's credit card.

In order to do this, I've considered the information that Mrs T has been able to provide on her circumstances from around this time period. Having done so, this information appears to show that Mrs T did have the funds, at the respective times of the lending decisions at least, to make the required payments.

Lloyds has provided some bank account statements from around the time that each of the limit increases took place. The first thing for me to say is that Lloyds did not need to review Mrs T's bank statements before lending. This is regardless of the fact that Mrs T might have banked with Lloyds. Indeed, it isn't even a requirement for a lender to request bank statements now. So I've not looked at these bank statements because Lloyds ought to have reviewed and scrutinised them at the time of these lending decisions.

Nonetheless, these statements don't clearly show me that Mrs T was struggling financially at the respective stages, which are the relevant points for me to determine whether the limit increases should have been offered.

The information provided doesn't show me that Mrs T obviously couldn't make the required payments to this credit card over the period required to clear the balance within a reasonable period of time. I know that Mrs T was using an overdraft. But there isn't a prohibition on a lender providing credit to an individual using a credit facility that they are entitled to use.

Furthermore, while Mrs T has referred to having to take out other credit, it's also fair to say that for much of the period she's had this credit card, Mrs T has also had credit balances on savings accounts that she's had with Lloyds. In my view, Lloyds would legitimately have been entitled to conclude that these funds could be used to repay this credit card too.

Equally, while I sympathise with what Mrs T has told us about her situation, it is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any additional credit provided was unaffordable. While I accept that Lloyds didn't do enough to establish that Mrs T could afford these limit increases, I'm afraid that I've not been provided with sufficient evidence which corroborates that they were as a matter of fact unaffordable for her.

For the sake of completeness, I've also considered that the limit increases were offered over a period of approaching seven years from the date that the account was initially opened. And having considered Mrs T repayment history, which is important as Lloyds was entitled to consider its previous lending history with Mrs T when deciding whether to increase her limit, I can't see that Mrs T's account was one that always had a balance towards the maximum amount of credit available to her.

For example, I can see that Mrs T cleared the balance on the account in full in July 2019, May 2020 and again in September 2020. Indeed, when Mrs T was offered the final limit increase in November 2021 her balance was on the card was £24.05. I don't think that this in itself means that Mrs T could afford to repay a higher amount of credit. However, I think that

it would be incorrect to say that Lloyds increased Mrs T's credit limit in circumstances where it was clear that she was already struggling to manage her existing limit.

Therefore, this isn't a case where I can reasonably say that the limit increases and Mrs T's account usage ought reasonably to have shown Lloyds that Mrs T's indebtedness, on her credit card, was rapidly increasing in an uncontrollable way, or that the pattern of lending here ought reasonably to have led Lloyds to conclude that the facility had become demonstrably unsustainable for Mrs T either.

So overall and having carefully considered everything and while I appreciate that this will disappoint Mrs T, I've not been persuaded that proportionate checks would have shown Lloyds that it shouldn't have provided Mrs T with her credit limit increases. Furthermore, I don't think that Mrs T's pattern of borrowing meant that Lloyds offered the credit limit increases in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for her either.

As this is the case, I've not been persuaded that Lloyds' decisions to offer the credit limit increases was unfair, or that it resulted in unfairness going forward either.

Overall, and based on the available evidence I don't find that Mrs T's relationship with Lloyds was unfair. I've not been persuaded that Lloyds created unfairness in its relationship with Mrs T by irresponsibly lending to her whether when initially agreeing to provide her with a credit card, or in respect of the limit increases. I don't find Lloyds treated Mrs T unfairly in any other way either based on what I've seen.

So overall and having considered everything, while I can understand Mrs T's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mrs T. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 3 November 2025.

Jeshen Narayanan
Ombudsman