

## Complaint

Mr K has complained about overdrafts Lloyds Bank PLC (“Lloyds”) provided to him. He says the overdrafts caused him continued financial difficulty.

## Background

Mr K has had current accounts with Lloyds from 2012. The overdraft limits on the accounts have varied with the highest limit being £1,500.00 and the lowest being £300.

In February 2025, Mr K complained that he was allowed to continue using his overdrafts even though Lloyds ought to have seen that he was experiencing difficulty. Lloyds did not uphold Mr K’s complaint. Mr K was dissatisfied at Lloyds’ response and referred his complaint to our service.

When Mr K’s complaint was referred to our service, Lloyds told us that we couldn’t consider parts of it as it believed some of the complaint was made too late. Two of our investigators reviewed what Mr K and Lloyds had told us. They reached the conclusion that we could look at the entire period Mr K had his overdrafts for but they weren’t persuaded that Lloyds had acted unfairly by allowing Mr K to use his overdrafts in a way that was unsustainable or otherwise harmful. So the investigators didn’t recommend that Mr K’s complaint be upheld.

Mr K disagreed and asked for an ombudsman to look at his 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 at least parts of Mr K’s complaint was made too late because he complained more than six years after the lending decisions and some of the charges on the overdraft were applied, as well as more than three years after he ought reasonably to have been aware of his cause to make this complaint.

Our investigators explained why it was reasonable to interpret the complaint as being one alleging that the lending relationships between Mr K and Lloyds were unfair to Mr K as described in s140A of the Consumer Credit Act 1974 (“CCA”). They 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 Mr K’s complaint. Given the reasons for this, I’m satisfied that whether Mr K’s complaint about the lending decisions as well as some of the specific charges applied was made in time or not has no impact on that outcome.

I'm also in agreement with the investigators that Mr K's complaint should be considered more broadly than just the lending decisions or the individual charges. I consider this to be the case as Mr K has not only complained about the circumstances behind the decisions to lend and the application of the individual charges, but also the fact Lloyds' failure to act during the periods he alleges it ought to have seen he was experiencing difficulty caused ongoing hardship. I'm therefore satisfied that Mr K's complaint can therefore reasonably be interpreted as a complaint that the lending relationships between himself and Lloyds were unfair to him.

I acknowledge the possibility that Lloyds may still disagree that we are able to look at the whole of Mr K'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. For the sake of completeness, I would also make it clear that Mr K's further submissions on why he complained in time don't make a difference with regard to this either.

In deciding what is fair and reasonable in all the circumstances of Mr K's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mr K's complaint can be reasonably interpreted as being about that his lending relationships with Lloyds were unfair to him, 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 (Mr K), 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 Mr K's complaint, I therefore need to think about whether Lloyds' allowing Mr K to use his overdrafts in the way that it did, resulted in the lending relationships between Mr K and Lloyds being unfair to Mr K, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove any such unfairness.

Mr K's relationships with Lloyds are likely to be unfair if Lloyds allowed Mr K to continue using his overdrafts in circumstances where it ought reasonably to have realised that the facilities had become unsustainable or otherwise harmful for him. And if this was the case, Lloyds didn't then remove the unfairness this created somehow.

I've carefully considered whether this was the case.

*Did Lloyds unfairly allow Mr K to continue using his overdrafts in a way that was unsustainable or otherwise harmful for him?*

Before I go any further, as this essentially boils down to a complaint that Mr K was unfairly charged as a result of being allowed to continue using his overdrafts, I want to be clear in

saying that I haven't considered whether the various amounts Lloyds charged were fair and reasonable, or proportionate in comparison to the costs of the service provided. Ultimately, how much a bank charges for its services is a commercial decision. And it isn't something for me to get involved with.

That said, while I'm not looking at Lloyds' charging structure per se, it won't have acted fairly and reasonably towards Mr K if it applied this interest, fees and charges to Mr K's accounts in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mr K was experiencing financial difficulty. So I've considered whether there was an instance, or there were instances, where Lloyds didn't treat Mr K fairly and reasonably.

In other words, I've considered whether there were periods where Lloyds continued charging Mr K even though it ought to have instead stepped in and taken corrective measures on the overdrafts as it knew, or it ought to have realised, that he was in financial difficulty.

Having considered matters, it's fair to say that Mr K did use his overdrafts regularly. Mr K effectively argues that the fact that he did so, in itself, was an indication that Lloyds ought to have taken action. But Mr K had revolving credit facilities that he was permitted to use on an ongoing basis without having to make further applications. So I think that it is far too simplistic to say that it automatically follows that someone was in financial difficulty simply because they were using financial products that they were entitled to use.

I think it's important to look at overall circumstances of a customer's overdraft usage – particular in light of what this may suggest about their overall position. Therefore, in this case, I've considered Mr K's incomings and outgoings as well as any overdrawn balances and thought about whether it was possible for him to have stopped using his overdrafts, based on this.

After all, if Mr K was locked into paying charges because there was no prospect of him exiting his overdrafts then his facilities would have been unsustainable for him. So I've carefully considered whether this was the case.

Having looked through Mr K's account statements for the period I have them for, I can't see that Lloyds ought reasonably to have realised that Mr K was experiencing financial difficulty to the extent that it would have been fair and reasonable for it to have unilaterally taken corrective measures in relation to Mr K's overdrafts.

I'll explain why I think this is the case in a little more detail.

To begin with, I can't see Mr K notified Lloyds that he was struggling and that he was experiencing difficulty paying these charges prior to his complaint. If he had Lloyds would have known that the charges were causing harm and I would have expected it to act. Nonetheless, even though I can't see that Mr K directly told Lloyds that he couldn't afford to pay these charges, I've considered whether his account activity ought to have alerted it to this being the case.

In considering this matter, I'm mindful that in order to help with determining whether it is objectively the case that a customer was experiencing financial hardship, the regulator has set out guidance on what it considers to be potential indicators of financial difficulty. The '*Guidance on financial difficulties*' states that things such as a customer failing to meet consecutive payments to credit, being unable to meet their commitments out of their disposable income, having adverse credit or other insolvency information recorded against them, or being in a debt arrangement should be considered as potential signs of a customer being in financial difficulty.

In addition to this, I've also looked at Mr K's incomings and outgoings as well as his overdrawn balances and determined whether it was possible for him to have stopped using his overdrafts, based on this. Having done so, I don't think that this is a case where the borrower was permanently in their overdraft right up to the maximum amount they could owe. Indeed, Mr K's accounts were in receipt of regular credits. It's also fair to say that there were periods where Mr K had credit balances – although I do accept that Mr K did meet the criteria of someone who displayed a pattern of repeat use of their overdrafts.

Furthermore, while I'm not seeking to make retrospective value judgements over Mr K's expenditure, it's nonetheless fair to say that there are significant amounts of non-committed, non-contractual and discretionary transactions going from Mr K's account. I'm also mindful that there were clearly periods when Mr K had savings balances with Lloyds which could have been used to clear the overdraft balances in full in order for the facilities to be completely removed.

Mr K says that assuming that he should have cleared his overdrafts with his savings risks penalising his financial caution and him trying to prevent future financial instability. However, Mr K was making a conscious choice to retain those funds in another account rather than repaying credit which he'd taken. Given Mr K had the funds referred to, I don't think that Lloyds ought reasonably to have concluded that he was struggling financially, or that it needed to offer him interest free overdrafts.

This is especially as I can't see anything to indicate that the overdraft charges were causing him harm. For example, I can't see that Mr K was borrowing from unsustainable sources in order to meet these charges or that his borrowing was increasing exponentially. I accept neither of these things in themselves (or when taken together) mean that Mr K wasn't experiencing difficulty.

However, it's difficult for me to agree that he was struggling or that he was reliant on credit. I say this while particularly mindful that I've seen no indication that any of the potential signs of financial difficulty contained in the regulator's guidance, which I referred to earlier, were present in Mr K's Lloyds account statements either.

Overall and having considered everything, I don't think that it was unreasonable for Lloyds to have added the charges that it did. This is particularly bearing in mind the consequences of Lloyds taking corrective action, in the way that it would have done had it acted, would have been disproportionate.

I say this because I don't think that it would have been proportionate for Lloyds to demand that Mr K immediately repay his overdrafts, in circumstances where there appeared to be a realistic prospect of Mr K clearing what he owed in a reasonable period of time. Therefore, I don't find that the way that Lloyds allowed Mr K to use his overdrafts resulted in the relationships between Mr K and Lloyds being unfair to Mr K either.

Overall and having considered everything, I've not been persuaded that Lloyds created unfairness in its relationships with Mr K, or by allowing Mr K to use his overdrafts in the way that he did. Based on what I've seen, I don't find Lloyds treated Mr K unfairly in any other way either.

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

**My final decision**

For the reasons I've explained, I'm not upholding Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 5 January 2026.

Jeshen Narayanan  
**Ombudsman**