

The complaint

Miss C complains Lloyds Bank PLC lent to her irresponsibly when they approved her application for an overdraft and subsequent limit increases. She also says they failed to monitor her use of the overdraft.

What happened

Miss C complained about Lloyds' lending decisions below and their failure to monitor her use of the overdraft.

Date	Limit
October 2014	£500
January 2016	£750
July 2016	£1,000
July 2020	£1,500

Lloyds didn't uphold Miss C's complaint as they felt their checks showed the overdraft limits were affordable. They also considered what their reviews at renewal would have shown and explained the overdraft limits remained affordable, and Miss C had enough disposable income to reduce and repay her overdraft in a reasonable period of time.

Our Investigator upheld Miss C's complaint. She explained Miss C had been repeatedly using the overdraft since March 2020, so Lloyds should have stepped in by March 2023 to prevent her from continuing to use the overdraft in this way.

Miss C accepted our Investigator's findings, but Lloyds didn't, so this complaint was passed to me for a decision.

I issued my provisional decision on 10 September 2025 and explained I wasn't minded to uphold Miss C's complaint. Both parties had until 24 September 2025 to respond.

Lloyds accepted my provisional decision, and Miss C asked for a final decision, but didn't provide any further comments or information for me to consider. As such my decision has remained 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 don't think Lloyds treated Miss C unfairly. 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 Bank PLC is familiar with, and I've used this approach to help me decide Miss C'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 Miss C 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 Miss C. 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 Miss C.

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 Miss C.

Given the time that's passed, Lloyds have limited information regarding what data they gathered when considering Miss C's applications for her overdraft and subsequent limit increases. So, I've used Miss C's statements to determine what Lloyds was likely to have seen when making their lending decisions.

Our Investigator felt Lloyds' lending decisions were fair because Miss C's statements suggested she had sufficient disposable income to afford the overdraft limits approved between October 2014 and July 2016 (£500 to £1,000 overdraft limits). As neither Lloyds nor Miss C disagreed with our Investigator's reasoning on this point, I won't comment on them in great detail. But having carried out my own review of the statements, I've reached the same conclusions as our Investigator. I've not seen anything in those statements that suggested the overdraft was unaffordable, or likely to cause Miss C harm. So, I'm satisfied Lloyds' October 2014 to July 2016 lending decisions were fair.

Lloyds did provide the information Miss C declared when applying to increase her overdraft limit to £1,500 in July 2020. They've also shared some detail from their affordability calculations. Miss C declared she was earning £2,000 a month, and after her expenditure towards housing, other credit commitments, and living costs she was left with a monthly disposable income of £310. I consider this disposable income was sufficient to repay a £1,500 overdraft within a reasonable period of time, so again, I'm satisfied Lloyds lent to her fairly in July 2020.

Lloyds also needed to ensure the overdraft remained affordable and sustainable. So, I've gone on to consider if Lloyds could and should have intervened regarding Miss C's use of her overdraft before she complained in January 2024.

Having reviewed Miss C's statements from October 2014 to mid-2018, I've not seen anything that ought to have triggered concern for Lloyds when they monitored her account. While she did use the overdraft, I wouldn't say Miss C did so persistently – rather she would go weeks and months at a time where she would be in a credit balance. She would also transfer money to a savings account she held, which suggested she was managing her finances well and overall using the overdraft as intended.

From mid-2018 onwards, Miss C's use of her overdraft increased, and she often had an overdrawn balance for a few weeks at a time. But her income and credits to the account would bring her back into a credit balance. And given her disposable income was just over £300 a month by early to mid-2019, the £1,500 overdraft limit could still have been repaid

within a reasonable period. It's for that reason that while I've seen Miss C was making £1 payments to a debt collection company, I'm not persuaded that's enough to say the overdraft was so unaffordable or unsustainable, that it needed to be removed immediately. In fact, it could be argued that doing so could have caused Miss C more harm at that time.

I agree with our Investigator that there was more persistent use of the overdraft from 2020 onwards. Like our Investigator, I don't consider there were signs of the overdraft being unaffordable or Miss C experiencing financial difficulties. Instead, it appears it was the way Miss C was managing her funds that resulted in her repeated use of the overdraft. In turn, it's for this very reason, I don't consider it would be fair or reasonable to say Lloyds should have removed the overdraft in March 2023. That would have been a rather drastic approach to remind Miss C about the short-term intended use of overdrafts. And while there were £1 payments to a debt collection company, Miss C's monthly disposable income from her statements didn't suggest she was unable to pay more towards whatever that historic debt may have been.

It could be argued that Lloyds' ought to have reached out to Miss C once her use of the overdraft increased. But even if they had, I'm not persuaded that necessarily would have changed the way Miss C was managing her funds or prompted her to engage with the support they were offering. That's because Lloyds say they wrote to Miss C in July 2023, and she didn't engage with them after receiving that letter. So, if Miss C was struggling with her overdraft, I would have expected a reasonable customer to have taken Lloyds up on their offer of support at that time.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lloyds lent irresponsibly to Miss C or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I know this isn't the outcome Miss C hoped for. But for the reasons above, I'm not asking Lloyds to do anything to put things right.

My final decision

My final decision is that I'm not upholding Miss C's complaint about Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 23 October 2025.

Sarrah Turay
Ombudsman