

## **The complaint**

Mr G complains that Lloyds Bank PLC (Lloyds) was irresponsible in granting him a personal current account overdraft, as it was unaffordable for him. Mr G also complains that his relationship with Lloyds was unfair as he was allowed to rely on high-cost debt, and this had an ongoing impact on his finances.

## **What happened**

Mr G held a personal current account with Lloyds for several years. In June 2006, Lloyds granted an overdraft facility attached to the current account with a limit of £2,000.

The overdraft limit was reduced over time from 2009 until it was repaid and closed in 2011.

Lloyds granted a further personal current account overdraft facility in January 2012. The initial credit limit was £2,000.

The credit limit was increased to £3,000 in January 2014, and to £3,500 in November 2015.

The account was passed to Lloyds' collections team in 2023, and defaulted in 2024.

Mr G complained – via a professional representative – that Lloyds had been irresponsible in granting the overdraft facility, and in allowing him to rely on high-cost debt.

In its final response, Lloyds said it thought that part of Mr G's complaint had been brought outside the time limits set by the regulator. During the period Lloyds thought had been brought in time, it said it thought it had acted fairly and reasonably.

Mr G wasn't happy with Lloyds's final response, and referred the complaint to our service.

Lloyds consented to our service considering Mr G's complaint in full. It said it thought it had acted reasonably in granting each of the overdraft facilities, but it thought it should have done more when the account was passed to its collections team in 2023. To resolve the complaint Lloyds offered to refund fees and charges applied to the account from 16 June 2023. It said it would also backdate the default to 16 June 2023.

One of our Investigators considered Mr G's complaint. In summary, she thought that Lloyds should have stepped in from 2008 with the first overdraft facility, and she didn't think Lloyds should have granted the second overdraft facility.

Mr G accepted the Investigator's opinion. Lloyds disagreed. In summary, it said it thought that part of the complaint had been brought outside the time limits set by the regulator. It said that the rules about persistent overdraft usage were less specific prior to 2019 and so it didn't think it had acted incorrectly in allowing the overdraft facility to remain in place in 2007. It said it thought Mr G had sufficient non-essential spending that he could have reduced his second overdraft facility over time.

I issued a provisional decision, in which I said I thought Lloyds' offer to resolve the complaint was fair. Lloyds accepted my provisional decision. Mr G's representative didn't respond by the deadline. So, the case returns to me for final decision.

## **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.

I issued a provisional decision, in which I said:

*"Firstly, as Lloyds consented to our service considering the complaint, I do not need to consider whether all of the complaint was brought within the time limits set by the regulator. Once a financial business has consented to our service's jurisdiction, it can't withdraw that consent under DISP 2.8.2AR.*

### ***The first overdraft facility granted in 2006***

*I've considered the relevant rules and guidance on responsible lending, laid out at the time in the Banking Code. In summary, these say that before Lloyds granted the overdraft, and prior to each credit limit increase, it would assess whether or not it felt Mr G could repay the credit.*

*It's not clear what information Lloyds considered before granting the overdraft facility in 2006. Lloyds has provided an estimate of Mr G's monthly disposable income at the time after his essential expenditure, which it found to be £950, but it appears this estimate was made after the complaint. So, I think it's likely that Lloyds would have considered that Mr G could repay the overdraft facility.*

*Our Investigator thought that Lloyds should have stepped in from June 2008 – two years after Mr G took out the overdraft – as he had been using it heavily throughout that time.*

*I've carefully considered the relevant guidance in the Banking Code. It said that Lloyds would treat Mr G fairly if he showed signs of, or reached out to say he was in, financial difficulty. But it didn't require, or suggest that Lloyds should, proactively step in due to persistent overdraft usage.*

*As I've outlined above, the credit limit of the overdraft facility was reduced slowly over time from 2009 until it was repaid in full and closed in 2012. So, it seems to me that Lloyds put reasonable steps in place to support Mr G to repay the overdraft in a way that was affordable for him.*

### ***The second overdraft facility granted in 2012***

*I've considered the relevant rules and guidance on responsible lending set by the FCA, laid out in the OFT guidance and, from April 2014, in the Consumer Credit Sourcebook (CONC). In summary, these say that before Lloyds granted the overdraft, and prior to each credit limit increase, it needed to complete reasonable and proportionate checks to satisfy itself that Mr G would be able to repay the debt in a sustainable way, without borrowing further elsewhere.*

*As this was an open-ended account Lloyds needed to consider whether Mr G would be able to repay the debt within a reasonable period. It also had a duty to review the account regularly to ensure the overdraft continued to be affordable for Mr G.*

*In January 2012, Lloyds granted Mr G a personal current account overdraft facility of £2,000. The credit limit was increased to £3,000 in January 2014, and to £3,500 in November 2015. As I've explained above, prior to granting the overdraft – or increasing its limit, Lloyds needed to conduct proportionate checks to satisfy itself that the limit would be sustainably affordable for Mr G.*

*Lloyds hasn't provided us with details of the checks it carried out at the time. It's not clear what information Lloyds considered before granting the overdraft facility in 2012, or prior to increasing its limit. Lloyds has provided an estimate of Mr G's monthly income and essential expenditure when it granted the overdraft facility, and on each occasion the limit was increased. On each occasion, it found that Mr G had between £822-1,066 disposable income each month, but it appears these estimates were made after the complaint.*

*As Lloyds hasn't provided us with details of the checks it conducted prior to granting the personal current account overdraft facility, I can't reasonably conclude they were proportionate.*

*Our Investigator thought that Lloyds shouldn't have granted the overdraft facility, as Mr G had returned direct debits and standing orders in the three months prior to the granting of the overdraft facility. I've considered Mr G's bank statements for the three months prior to January 2012. There were a couple of returned payments, but these were infrequent and for small amounts.*

*It's difficult to reconstruct Mr G's income and expenditure as there are frequent transfers to and from other accounts, as well as cash deposits and withdrawals. But it doesn't appear from what I can see from the account that his essential expenditure meant he would be unable to affordably repay the overdraft facility within a reasonable period of time.*

*On balance, based on the information available to me, I'm unable to reasonably conclude that Lloyds wouldn't have reasonably considered that the overdraft facility and credit limit increases weren't sustainably affordable for Mr G.*

### **Ongoing use of the overdraft facility granted in 2012**

*As I've explained above, Lloyds also had a duty to regularly review the overdraft facility, to ensure it continued to lend responsibly to Mr G.*

*Lloyds has told us it reviewed the overdraft facility in September each year.*

*The statements show that there were periods that Mr G used the overdraft facility heavily and continuously, but also periods where the account was in credit and there was no overdraft usage for several months.*

*The statements show a mix of essential and discretionary spending. It appears Mr G was self-employed, and it appears there were times he used the account for business purposes. I can't see significant signs of financial stress up until 2022, such as returned payments, going over the credit limit multiple times or by a significant amount, or use of short-term lending.*

*Lloyds sent Mr G letters about his overdraft use periodically. I've seen examples of these letters from 2022 and 2024. In summary, these letters highlighted that Mr G was paying a significant amount in interest, and invited him to contact Lloyds to discuss his options. It doesn't appear Mr G responded to these letters.*

*Throughout the period Mr G held the overdraft facility, the statements show a mix of essential and non-essential expenditure. So, I think Mr G could have used some of the funds from his non-essential expenditure to reduce his overdraft facility over time – if he wished.*

*And, as I can't see there were signs of financial stress prior to 2022, I don't think Mr G's use of the account warranted that Lloyds take any further steps in this instance.*

*It appears that from 2022 onwards, Mr G's circumstances changed and his income reduced. I can see he received financial support from friends and family, and there were periods he used the overdraft facility. Given the signs of financial stress Mr G was showing, I think Lloyds should have stepped in by June 2023. So, I think it's fair that Lloyds refund the fees and charges applied to the account from 16 June 2023 onwards, as well as backdating the default to that date, as it's offered to do."*

I've read and considered the full file again. As Lloyds accepted my provisional decision, and Mr G's representative didn't respond by the deadline, I see no reason to depart from it.

## **Putting things right**

My final decision is that I think Lloyds Bank Plc's offer is a fair way to resolve this complaint. To resolve things, Lloyds Bank Plc should:

- Re-work Mr G's current overdraft balance so that all interest, fees and charges applied to it from 16 June 2023 onwards are removed; and
- Update Mr G's credit file to show the account was defaulted on 16 June 2023.

I've also considered whether the relationship might have been unfair under s140A of the Consumer Credit Act 1974. However, I'm satisfied that the redress I have directed above results in fair compensation for Mr G in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no further award would be appropriate in this case.

## **My final decision**

My final decision is that I uphold this complaint. To resolve things, Lloyds Bank Plc should take the steps outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 24 October 2025.

Frances Young  
**Ombudsman**