

The complaint

Mrs T complains that Lloyds Bank PLC lent to her irresponsibly.

What happened

On 29 October 2015, Mrs T was given an overdraft limit of £2,200. The limit was reduced to £740 in May 2020.

On 13 September 2024, Mrs T complained to Lloyds. She said the overdraft was given to her to buy a car as she was not eligible for a loan. She took loans elsewhere from January 2016 and says the use of the overdraft between November 2017 and May 2019 should have alerted the bank that she *“may be in financial distress and may struggle to pay back the debt with added interest”*. She says the debt is affecting her mental health and she is *“deeply concerned that [she] will no longer be able to make payments and will get into trouble with debt collectors”*. To resolve her complaint, Mrs T asked Lloyds to refund all interest she’s paid on the overdraft plus 8% simple interest.

Lloyds looked into Mrs T’s complaint and issued a final response letter. It said it was satisfied it had lent to her fairly and set out how it had reached its decision to lend. It reviewed her account performance between 2017 and 2019. Lloyds said Mrs T came out of the overdraft from time to time and there was nonessential spending such as travel and hotel stays abroad. It felt she could have *“chosen to repay the overdraft by cutting back”*. Lloyds didn’t uphold the complaint.

Mrs T was unhappy with Lloyds response so she referred her complaint to our service. One of our investigator’s looked into it. Following a review of Mrs T’s bank statements, our investigator said she’d not seen any particular signs of financial difficulty that ought to have prompted Lloyds to intervene. She noted that Mrs T often had funds on her ISA or savings account that could have been used to reduce or repay the overdraft in full if needed. She didn’t uphold Mrs T’s complaint.

Mrs T didn’t agree with our investigator. She said (in summary):

- the overdraft was offered irresponsibly after refusal of a loan;
- any overlap between her savings balance and overdraft usage would have been short lived.
- Lloyds took no action despite clear patterns, where she was frequently using the overdraft and should have offered support rather than continue to apply interest and fees.

As there was no agreement, the complaint has been passed to me for a 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Lloyds needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mrs T irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Lloyds carry out reasonable and proportionate checks to satisfy itself that Mrs T was in a position to sustainably meet the repayments?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Lloyds make a fair lending decision?
- Did Lloyds act unfairly or unreasonably towards Mrs T in some other way?

Lloyds had to carry out reasonable and proportionate checks to satisfy itself that Mrs T would be able to repay the overdraft sustainably. It's not about it assessing the likelihood of it being repaid, but it had to consider the impact of the facility on her.

Lloyds has provided details recorded for Mrs T when the overdraft was agreed. It shows she was employed on a salary of £15,288 and lived with her parents. I can see from notes provided that on 29 October 2015, she approached Lloyds because her car had broken down. She needed £1,000 for repairs and she couldn't work without it.

The notes show a loan *"wasn't feasible due to the conduct of her account. Having worked out an income and expenditure, it transpires there is sufficient monies in the budget to afford to repay an o/d. She needs help managing her finances – Have agreed an o/d [facility] of £2,200 on the agreement that we meet again in a week to look at opening a budget account to manage the overdraft down. Happy to do this so have made further appointment for next week"*.

So I accept what Mrs T says about the overdraft having been agreed after the refusal of a loan, but I think the notes are clear enough to show that Lloyds was looking to help her to keep her in work. It had assessed her situation and was satisfied the overdraft was affordable for her at the time. The limit was agreed for 12 months and was reviewable each year too.

Loans and overdrafts are different products and lenders will have different processes for agreeing them. So I don't think it is particularly unusual that Lloyds was able to agree an overdraft, but wasn't prepared to agree a loan at that stage. And I don't think it was unreasonable for Lloyds to agree this limit to keep her on the road and working. I think it reached a fair decision to lend to her.

I can't see that the scheduled meeting took place a week later or that a budget account was opened. But I do have copies of Mrs T's statements for this account as well as her savings and ISA accounts, so I've looked at those to see if Lloyds ought to have done more later on as part of its reviews of the limit.

I can see that Mrs T withdrew £2,000 as soon as the overdraft was agreed – that is not surprising given she had car repairs to pay for – which took her account overdrawn by around £1,700. Over the next few months, her account remained overdrawn by between £1,200 and £1,900.

On 20 January 2016 – less than three months after taking the overdraft, Mrs T received a payment from a loan she'd taken elsewhere. This had the effect of clearing the overdraft and

her account ran in credit bar the odd day here and there until May 2016 when she began using the overdraft a little again - up to around £450. But the account continued to swing to credit and worked well within the agreed facility. So it appears that the overdraft had fulfilled its purpose of allowing Mrs T to have her car repaired and her account was now running in a reasonable way.

I can see that from February 2016, Miss T began to save into her cash ISA. While the balance varied as she paid in and withdrew money on a regular basis, throughout 2016, the balance varied between a few hundred pounds in the account and up to £3,800.

So while her use of the overdraft increased from May 2016 to the end of that year – up to £1,000 or so, she generally had sufficient in her ISA to either repay or substantially reduce her overdraft. I've not seen any signs of financial difficulty which means Lloyds ought to have intervened in her usage of the account.

Through 2017, Mrs T continued to use the overdraft – often up to around £1,500 – and would return to credit following payday and transfers from her ISA and savings account. Again, there are no particular signs of financial difficulty. I say this because there's no pressure on the limit available, usually some money in her ISA and a regular salary coming into the account.

In 2018, Mrs T began using the overdraft more – often over £1,000 and sometimes up to £1,900 or so. There was less money available on her ISA – sometimes nothing, but at other times over £2,000. In June 2018, Mrs T took a loan elsewhere which she used to repay some other finance and some personal expenditure. Later that month however Mrs T exceeded her overdraft limit for a few days by up to £300. This position was corrected through retail refunds and transfers from her ISA. Her account performance improved after that, returning to credit again in September 2018. Mrs T continued to use her overdraft but much more in the manner seen in 2017.

In 2019, Mrs T's account performance improved further. While she started the year using the overdraft extensively, by the summer she was only using it to the tune of a few hundred pounds and for a few days a month.

In 2020, Mrs T's account remained in credit until September when she dipped into overdraft by up to £100. By this time, her limit had been reduced to £740, so, as she earned over £1,100 per month, and she had money in her savings account ranging from £550 in January to over £6,500 in December 2020. Since the limit reduction, when she has used the overdraft, the account has always returned to credit each month and run well.

So overall, while there were some more difficult times in 2018 from what I can see, I don't think matters got to a stage where Mrs T displayed signs of financial difficulty such that I would have expected Lloyds to have stepped in to assist her. I say this because simply using an overdraft isn't on its own a sign of difficulty – they can be a useful tool for budgeting and smoothing out cash flow across periods of time. And throughout the whole period I've looked at, I can see Mrs T had a reasonable level of discretionary spending which would imply that she could have repaid the overdraft in a reasonable period time if she had wished to or needed to. If she no longer wishes to have an overdraft, she can of course ask Lloyds to reduce or remove it and run her account in credit.

For the reasons I've already given, I don't think Lloyds lent irresponsibly to Mrs T or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 4 November 2025.

Richard Hale
Ombudsman