

The complaint

Miss F complains that Lloyds Bank PLC irresponsibly granted her an overdraft, and continued to provide it year on year, when she couldn't afford to repay.

What happened

Miss F applied for an overdraft with Lloyds, which was provided to her in early September 2022. The initial overdraft was for £600, which was subsequently reduced to £560 and then returned to £600 the same day. The limit was then increase again, two weeks later to £1,000, following a request from Miss F for it to be increase to £1,050.

In 2025, Miss F complained. She said, in summary, that Lloyds should never have provided the overdraft, and had failed to address her prolonged reliance on it, and should have done more to help her exit it; such as by agreeing to a repayment plan for instance. She's also unhappy that the rate on the overdraft increased.

Lloyds responded. They said, in summary, that they carried out checks to satisfy themselves Miss F could afford to repay the money she was borrowing - using information such as her monthly income and deducting from this, her regular costs – and based on their assessment, they concluded that the overdraft was affordable for Miss F. They said that based on the results of their checks, they were satisfied they had lent responsibly.

An investigator considered Miss F's complaint but didn't recommend it be upheld. In summary, he said:

- Lloyds carried out proportionate checks before agreeing to provide Miss F with an overdraft;
- Their checks hadn't revealed anything which suggested the overdraft was, or would be, unaffordable for Miss F;
- While they acknowledged Miss F experienced some difficulty in repaying the overdraft, a significant proportion of her spending was on non-essential items;
- Overall, there wasn't sufficient evidence to support Miss F's view that Lloyds had acted irresponsibly.

But Miss F remained unhappy and requested a decision on the matter. So, the case has been passed to me, an Ombudsman, to decide.

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 done so, and while this will likely disappoint Miss F, I've reached the same outcome as the investigator and for broadly the same reasons.

Given that the initial credit limits were only in place for a number of days, prior to the credit limit increasing, I've focussed my assessment initially on the highest limit. As, if I'm satisfied the higher limit would have been affordable, then I'd also be satisfied that the lower ones would have been, just a number of days prior.

When looking at overdrafts, as with most lending decisions, the rules that apply set out that businesses are required to carry out a proportionate assessment to check that a customer can afford to repay the sums borrowed sustainably. These checks need to be borrower focussed, so they should take into account the impact the lending will have on a customer, and they should consider the customer's ability to repay what they have borrowed in a sustainable manner.

What makes a check proportionate will vary depending on factors such as, the amount being borrowed; the total sum repayable and the size of the regular payments; the duration of the agreement; and the consumer's individual circumstances, amongst others. There's no set list of checks a lender must complete, instead, lenders are required to consider the broad points set out above when deciding what's reasonable and proportionate.

If necessary, maybe as a result of something uncovered in their checks, or in instances where particularly high sums are being borrowed, lenders may be required to do more, such as looking to verify a borrower's income or obtaining a more detailed picture of their circumstances. That could be by reviewing bank statements, for example. But it's important for me to stress that verification – or requesting bank statements or payslips – isn't an obligation, but something that might be appropriate dependant on the circumstances of the case. More information about how we consider irresponsible lending complaints can be found on our website, if Miss F wishes to review it.

Around the time Miss F's overdraft was increased to £1,000, the checks Lloyds carried out included a credit check, as well as information Miss F provided at the time of her application. Lloyds recorded Miss F's declared income at £1,036 a month; and noted she had just £456 of essential living costs; which they calculated using an internal model that took into account likely costs towards things like utilities, groceries, and other essential living costs; and considered the customer's circumstances like her income, age and geographical area. They also noted that Miss F declared she was paying £120 towards her housing costs. Their credit check found no outstanding credit information for Miss F.

Fundamentally, given an overdraft is a type of revolving credit facility, Lloyds needed to consider whether Miss F could repay the amount she could owe within a reasonable period of time. Looking at the information Lloyds obtained from the credit checks, and the disposable income this suggested Miss F would have had available to her - at around £460 - I think that at the time of the lending, the checks carried out by Lloyds were proportionate, and I don't think it was unreasonable for them to have concluded that an overdraft with a limit of £1,000, would have been affordable for her.

As well as checking that Miss F could afford to sustainably repay the overdraft within a reasonable period at the time they provided it, Lloyds also had a responsibility to review and monitor Miss F's overdraft facility, to check that it continued to remain affordable for her. So, I've looked at what else Lloyds did to check that it was right to continue to provide Miss F with this facility.

I can see that Lloyds wrote to Miss F on a number of occasions to check whether she required support in managing her overdraft, and pointed to some options available to her. They encouraged Miss F to contact them if she felt she needed to, and also provided details of some organisations that could provide free and independent support if needed. So, I'm satisfied her account was being monitored.

I've not been provided with detail around what Lloyds reviews consisted of, or when indeed they were, but given the overdraft was approved in September 2022, I would have expected to have seen reviews by Lloyds around September 2023 and 2024. The 2025 review would have been due after Miss F complained, so I've not considered this.

As I don't have the full details of what the reviews entailed, I have looked at Miss F's bank statements in the lead up to those potential review dates, to gain a better understanding of Miss F's financial position at the time/

I can see that at times, Miss F was having a number of payments returned, suggesting that she wasn't in the strongest financial position. But equally, I can see her pay was generally taking her account back into a credit position. And that she was managing her account within the overdraft limit.

I can also see that around this time, Lloyds wrote to Miss F, offering her support with her overdraft usage. And while there were some signs of difficulty, things don't appear to have been at a level, where I would have expected Lloyds to have gone beyond this, and to have looked to reduce or remove Miss F's overdraft limit in the circumstances.

Moving onto 2024's review, I've also thought about the fact that the regulations required Lloyds to do more than just write to Miss F, but when their communications weren't being responded to, to consider whether or not they should continue to offer the facility at its current limit.

However, by 2024, Miss F's income seems to have increased, and looking at her essential spending, she seemed to have sufficient monies available to be able to reduce the overdraft limit, or to clear what was owed on the overdraft within a reasonable period of time. And while there were still some returned payments showing on her account, I agree with the investigator, that this appeared to be more about how the account was being managed, rather than the overdraft now being unaffordable for her. So, on balance, I'm not persuaded that the overdraft was unaffordable for Miss F when it was set up, and I think it was reasonable for Lloyds to have continued to provide it in the circumstances, taking into account the continued support they offered.

Given I'm satisfied the £1,000 limit was affordable in September 2022, I'm also persuaded the lower limits offered just days earlier would have been affordable also, as they would have been assessed based on the same circumstances.

Since the complaint arrived at our service, Miss F has also raised concerns that Lloyds wrote to her informing her that her interest rate would be increasing. And she feels this is unfair.

It's probably useful to highlight that most credit card accounts, allow businesses to alter terms of the account and amend its features, such as the interest rate and charges applied, provided they give the customer adequate notice.

And while I haven't seen a copy of the specific terms for Miss F's account, I've reviewed Lloyds general credit card terms and conditions, and they state the following:

“Section G – Changing this agreement

This agreement could last a long time, so we may need to make some changes to it. We can predict some circumstances in which it would be fair for us to make changes and we have explained these below. But we can't predict all the reasons why a change might be needed and so we may make changes for other reasons.

We may change the terms in this booklet, the interest rates and charges that apply to an account and the terms on which we provide a benefit that is part of an Added Value Account.”

From what I've seen, and given what Miss F has raised isn't unusual, in the absence of anything else, I think it reasonable to conclude that similar terms apply to Miss F's credit card account also. So, while I understand that news of a rate increase is rarely welcomed, on balance, I don't think Lloyds have done anything wrong in writing to her to let her know of the rate change.

Finally, I've also considered whether the relationship between Miss F and Lloyds might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lloyds lent irresponsibly to Miss F, or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else 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 Miss F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 11 May 2026.

Brad McIlquham
Ombudsman