

Complaint

Mr W has complained about personal loans which Lloyds Bank PLC (“Lloyds”) provided to him. He’s said that these loans were unaffordable and shouldn’t have been provided to him.

Background

Mr W was provided with a total of six loans by Lloyds. His loan history is as follows:

Loan	Date taken	Amount	Term*	Monthly payment	Settled
1	June 2016	£8,116.00	36	£256.41	With funds from loan 2
2	January 2018	£7,500.00	60	£170.29	With funds from loan 3
3	March 2018	£13,435.23	84	£248.28	With funds from loan 4
4	February 2019	£15,441.67	84	£298.15	With funds from loan 5
5	September 2020	£24,135.05	84	£520.95	With funds from loan 6
6	April 2022	£26,638.62	84	£393.16	Active at time of complaint

* in months

In February 2025, Mr W complained saying that these loans were unaffordable for him and he shouldn’t have been provided with them.

Lloyds didn’t uphold Mr W’s complaint. It thought that it carried out reasonable and proportionate checks before agreeing to lend to Mr W and, in its view, these checks showed the loans to be affordable. Mr W remained dissatisfied and referred his complaint to our service.

When it provided its file to our service, Lloyds revised its opinion and agreed it shouldn’t have agreed to provide loans 4, 5 and 6 to Mr W. It agreed to refund all the interest, fees and charges added to these loans. Mr W subsequently confirmed that he wasn’t complaining about his first loan. However, he still wanted us to consider whether Lloyds acted fairly and reasonably towards him in relation to loans 2 and 3.

One of our investigators reviewed what Mr W and Lloyds had told us. She thought that proportionate checks would have shown that Lloyds shouldn’t have provided loans 2 and 3. So she reached the conclusion that the complaint about these loans should also be upheld and that Lloyds needed to refund the interest and charges it added to these loans.

The overall position in relation to Mr W’s complaint after the investigator’s assessment can be summarised as follows:

Loan	Lloyds’ position	Mr W’s position	Investigator’s position
1	Non-uphold	Not complaining	Not reviewed as no complaint
2	Non-uphold	Challenging Lloyds’ outcome	Uphold
3	Non-uphold	Challenging Lloyds’ outcome	Uphold
4	Uphold	No challenge as upheld	Not reviewed as fair offer made

5	Uphold	No challenge as upheld	Not reviewed as fair offer made
6	Uphold	No challenge as upheld	Not reviewed as fair offer made

Lloyds disagreed with the investigator that the complaint about loans 3 and 4 should be upheld and asked for an ombudsman's decision.

As Mr W has confirmed that he's not complaining about his first loan, Lloyds has accepted that it shouldn't have provided loans 4, 5 and 6 and has agreed to put things right in the way I would were I to uphold matters, I don't need to look at the complaint about these loans. Therefore, this decision is simply looking at whether Lloyds acted fairly and reasonably when providing loans 2 and 3 to Mr W and what if any effect this has on what Lloyds has already agreed to do to put things right.

My provisional decision of 24 September 2025

I issued a provisional decision – on 24 September 2025 - setting out why I was satisfied that what Lloyds had already agreed to do was fair and reasonable in all the circumstances of Mr W's complaint.

In summary, I was satisfied that that proportionate checks wouldn't have prevented Lloyds from providing loans 2 and 3 to Mr W. Furthermore, I thought that what Lloyds had agreed to put things right for loans 4 to 6 was effectively what I would have directed it to do, if I were to have upheld the complaint. Therefore, I wasn't intending to require Lloyds to do anything more or anything further.

Lloyds' response to my provisional decision

Lloyds responded to my provisional decision confirming that it accepted my provisional decision and that it had nothing further to add ahead of my final decision.

Mr W's response to my provisional decision

Mr W accepted my provisional decision but wanted to clarify the basis of Lloyds' offer to settle 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.

Having carefully considered everything provided, including the responses to my provisional decision, I remain satisfied that what Lloyds has already offered to do to put things right is fair and reasonable in all the circumstances of Mr W's complaint.

This means that I'm not upholding Mr W's complaint about loans 2 and 3. I'll now proceed to explain why in a little more detail.

Basis of Lloyds' offer to settle Mr W's complaint on loans 4, 5 and 6

Bearing in mind Mr W's response to my provisional decision, I think it's worth me setting out what exactly it was Lloyds had agreed to do in relation to loans 4 to 6. The basis of Lloyds' offer is that it will deduct the payments Mr W has made on loans 4, 5 and 6 from the total he

was lent on these loans - £66,215.32¹. The payments Mr W made will include the funds from loans 5 and 6 that went towards repaying loans 4 and 5.

If the total amount Mr W has paid towards loans 4, 5 and 6 exceeds the £66,215.32 advanced for these loans, then any extra Mr W paid will be refunded to him. If this happens, Lloyds will also pay interest at 8% simple a year, on these refunded payments, from the point from when the total Mr W paid exceeds the £66,215.32 due, to the date of this settlement. If Mr W's total repayments are less than £66,215.32, then Lloyds will set up a repayment plan for whatever balance is left.

I'm satisfied that this would effectively leave Mr W in the position where he paid no interest on loans 4 to 6. As I've explained, this is what I would typically direct a firm to do if I were to have reached the conclusion that it shouldn't have provided loans to a customer.

As this is the case, I'm satisfied that what Lloyds has offered to do to put things right for Mr W is fair and reasonable in all the circumstances of loans 4, 5 and 6. I'm therefore not requiring Lloyds to do anything more in relation to these loans and leave it up to Mr W to decide whether he wishes to accept this offer.

I'll now turn to my thoughts on Mr W's complaint about loans 2 and 3.

Our typical approach to complaints about irresponsible and unaffordable lending

We've explained how we handle complaints about irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Mr W's complaint.

I think that it would be helpful for me to set out that we consider what a firm did to check whether loan payments were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments to a loan were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically

¹ This is the combined amount advanced for loans 4, 5 and 6.

using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've kept this in mind when deciding Mr W's complaint.

Application to Mr W's complaint – Did Lloyds act fairly and reasonably when deciding to provide Mr W with his loans?

The parties' arguments

Lloyds says it agreed to Mr W's applications after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on credit searches which it carried out. In its view, all of this information showed Mr W could afford to make the repayments he was committing to on all of these occasions.

On the other hand, Mr W has said that loans 2 and 3 were unaffordable and has also alleged he was encouraged to provide incorrect information, which would be looked upon more favourably, at the time of these applications.

Why I don't think that Lloyds's checks before providing loans 2 and 3 were reasonable and proportionate

As I've set out in the background section of this decision, loan 2 was provided to Mr W in January 2018. It was for £7,500.00 and Mr W was required to make 60 monthly repayments of just over £170.29. Loan 3 was provided to Mr W a couple of months after loan 2, also had a term of 60 months but this time the loan had monthly repayments of approaching £250. For both of these applications, Mr W declared being in receipt of an income of around £1,250.00.

Lloyds no longer has the results of the credit searches that it carried out on Mr W at the time of these applications. Nonetheless, I understand that Mr W didn't have any significant adverse information – such as defaulted accounts or county court judgments ("CCJ") recorded against him at this time. I'm also mindful that at the time of loan 2, Mr W had maintained all of his payments to loan 1 and at the time of his application for loan 3, Mr W had maintained all of his payments to loan 2.

Given what Lloyds' credit searches showed, Mr W's income as well as the rest of the information he declared, I can to some extent understand why Lloyds has argued that its checks before providing these loans were proportionate.

However, I'm mindful that loans 2 and 3 were being provided in circumstances where Mr W was a repeat borrower. Indeed, as I've set out in the background section of this decision, Mr W was provided with loan 2 before he'd repaid loan 1 and some of the funds from loan 2 went towards settling the outstanding balance on loan 1. Loan 3 was not only provided while loan 2 was outstanding, it was provided in circumstances where Mr W had only made a single monthly repayment to loan 2.

Given Mr W was a repeat borrower by the time of these applications, I would have expected Lloyds to have taken steps to understand what Mr W's monthly living expenses were. Yet from the information provided it seems to me that it only had the details of what the payments to Mr W's rent or mortgage were.

As I can't see that Lloyds obtained any information on Mr W's non-mortgage or rent related living costs, I'm not persuaded that the checks it carried out before providing loans 2 and 3 were reasonable and proportionate.

Would reasonable and proportionate checks have prevented Lloyds from providing loans 2 and 3 to Mr W

As I'm not persuaded that Lloyds did carry out sufficient checks before providing loans 2 and 3 to Mr W, I've gone on to decide what I think Lloyds is more likely than not to have seen had it obtained the information that I think it should have gathered at the time of these applications. As I've explained, bearing in mind the circumstances here, I would have expected Lloyds to have had a reasonable understanding of Mr W's regular living expenses as well as his income and existing credit commitments.

I want to be clear in saying that this isn't the same as saying that Lloyds had to obtain bank statements in order to verify all of this, as how it found out what I think that it needed to find out was down to it. This is notwithstanding the fact that Mr W was a Lloyds accountholder. Indeed, I consider that a lender insisting on reviewing a customer's bank statements irrespective of the rest of the circumstances (such as the amount lent, the monthly payments due and what any other information the lender may hold indicates), simply because a customer has a current account with that lender, would be disproportionate.

In my view, it would be an example of simply continuing to apply a process to a situation, without taking account of the particular circumstances and what else a lender might know about the customer. So I wouldn't expect a lender to automatically carry out a forensic review of bank statements before lending to a customer, simply because that customer has a bank account with it. In my view, whether it would be proportionate to take such a course of action would depend on the rest of the circumstances of the borrowing.

Nonetheless, I do think that the information in Mr W's bank statements do shed some light on what he's likely to have declared in terms of his living expenses had he been asked for this information at this time. Having considered the bank statements information, I'm not persuaded that Lloyds attempting to find out further information about Mr W's regular living costs would have made a difference to its decisions to provide loans 2 and 3.

I say this because our investigator concluded that that while Lloyds had accurate information on Mr W's income, his committed living expenses totalled around £1,100.00 a month. However, it seems to me that Mr W was merely transferring funds of around this amount to another account that he was a joint party to.

Furthermore, Mr W's sole account statements actually show that the amount he was transferring to the joint account reduced to closer to £600 around the time of this application. Most importantly of all, having reviewed copies of the joint account statements it's fair to say that not all of the funds that were going into this account were being used to cover household living expenses.

Therefore, I don't agree with the investigator's conclusions that Mr W had committed monthly expenses of £1,100.00, or of an amount that made the repayments to loans 2 and 3 unaffordable. In these circumstances, it's difficult for me to conclude that Lloyds doing more to find out about Mr W's living expenses would have shown that the monthly payments to loans 2 and 3 were as a matter of fact unaffordable for him.

In reaching my conclusions, I also have to keep in mind that Mr W has said that he was happy with loan 1 and therefore I can only assume that he was happy to maintain the repayments to it. In these circumstances, I can only reasonably conclude that he would have kept this loan had he not been provided with loans 2 or 3. But loan 1 had monthly payments of close to £90 a month more than those for loan 2 and while the monthly payments for loan 3 might have been higher than those for loan 2, they were still lower than those for loan 1.

I'm struggling to see the logic in Mr W's argument that loans 2 and 3 were, as a matter of fact unaffordable for him but loan 1 was not, when loan 1 had the highest monthly payments in terms of his first three loans. Furthermore, bearing in mind the original end date for loan 1 was June 2019 and loan 4, which Lloyds has agreed to compensate Mr W for, was taken in February 2019, it's difficult for me to see how Mr W ended up in a worse position as a result of being provided with loans 2 and 3.

Had Mr W not been provided with loans 2 and 3, it's not unreasonable to conclude that he would have had to make higher monthly payments until June 2019. I don't see how loans 2 and 3 could have been unaffordable for Mr W in circumstances where he says he was happy with having to make higher repayments on the loan that was replaced.

As I've explained earlier in this decision, it is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any additional credit provided was clearly unaffordable. And having considered all the information provided, I've not been persuaded that reasonable and proportionate checks would more likely than not have shown Lloyds that the monthly payments required for loans 2 and 3 were as a matter of fact unaffordable for Mr W.

I've also noted that Mr W has said that he was unfairly encouraged to provide inaccurate information as part of his application for loans 2 and 3 and that he was taken advantage of as he was provided with these loans when he was going through a difficult time. As my final decision will be published, I'm not going into the full details of Mr W's circumstances at this time.

I don't know what Mr W was told at the time of his applications for these loans. Given these applications took place in branch, I don't completely discount the possibility that Mr W may have given the impression that certain information may have been looked at more favourably by underwriters. Although this wouldn't explain his later applications which appear to have been made online.

Nonetheless, I also have to consider that Mr W will have had to make branch appointments in order to apply for these loans in the way that he did. Lloyds wouldn't have been able to arrange these appointments and consider Mr W's applications unless he wanted to borrow in the first place. Furthermore, even if I were to accept Mr W's argument at its best, it's difficult for me to agree that he was treated unfairly when he knew the information being used in his application was inaccurate and still decided to proceed anyway.

In any event and most importantly, I don't think that this aspect of Mr W's complaint makes a difference to my overall outcome. I say this as Mr W's arguments regarding what he may, or may not have, been told to say at the time of his application are merely further arguments in relation to why the information Lloyds gathered in relation to his expenditure and which it relied upon was inaccurate. However, I've already explained why I'm satisfied that Lloyds' enquiries into Mr W's expenditure prior to it providing Mr W with loans 2 and 3 were insufficient.

This still leaves the question of what Lloyds carrying out proportionate checks is more likely than not to have shown. And for the reasons I've already explained, I'm satisfied that Lloyds carrying out sufficient enquiries into what Mr W's committed living expense were at the time of the applications for loans 2 and 3 is unlikely to have prevented it from lending to Mr W.

In these circumstances, Mr W's further arguments in relation to what he may, or may not, have been told in branch don't persuade me to alter my conclusions, or that his complaint about loans 2 and 3 should be upheld.

Mr W's pattern of lending – Is it the case that Lloyds ought reasonably to have realised that loans 2 and 3 were unsustainable or otherwise harmful for him?

I've also kept in mind that (for the purposes of what remains to be decided in this complaint) Lloyds provided second and third loans to Mr W and that repeat borrowing in itself can sometimes be an indication of difficulty. However, as I've explained, Mr W was provided with loans which had lower monthly payments than a loan which Mr W would have had to make higher monthly repayments to.

Equally, Mr W's own submissions indicate that he didn't have any late payments or go over the limit on any revolving credit facilities taken out. Therefore, it doesn't seem to me that it was obviously the case that Lloyds ought reasonably to have realised that Mr W was struggling to manage the debts that he had.

So while Mr W being a repeat borrower here has led to me taking a closer look at the overall pattern of lending here, I'm satisfied that it wasn't unfair for Lloyds to have provided loans 2 and 3 to Mr W on the basis that it ought to have realised that it was increasing Mr W's indebtedness in a way that way unsustainable or otherwise harmful.

Section 140 of the Consumer Credit Act (1974)

In reaching my conclusions, I've also considered whether the lending relationship between Lloyds and Mr W might have been unfair to Mr W under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Lloyds irresponsibly lent loans 2 and 3 to Mr W, or otherwise treated him unfairly in relation to this matter. Furthermore, I'm also satisfied that what Lloyds has already agreed to do to put things right for loans 4, 5 and 6 means that any unfairness relating to these loans will be removed. Therefore, I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Conclusions

Overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown Lloyds that it shouldn't have provided loans 2 and 3 to Mr W. Furthermore, I don't think that Mr W's pattern of borrowing meant that Lloyds offered these loans in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for him either.

Bearing all of this in mind, I'm satisfied that what Lloyds has already agreed to do to put things right is fair and reasonable in all the circumstances of this case and I'm therefore not requiring it to do anything more or anything further. To be clear, should Mr W accept Lloyds' offer to settle this complaint, I expect Lloyds to promptly calculate what needs to be done to, make any adjustments to loan 6 and if applicable also pay the amount of any refund to Mr W promptly.

I appreciate this is likely to be very disappointing for Mr W – particularly as the investigator did, albeit erroneously, say that the complaints about loans 2 and 3 should also be upheld. 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 above and in my provisional decision of 24 September 2025, I'm satisfied that what Lloyds Bank PLC has already agreed to do to put things right for Mr W is fair and reasonable in all the circumstances of the complaint. I'm therefore not requiring Lloyds to do anything more or anything further and I leave it up to Mr W to decide whether he wishes to accept its offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 November 2025.

Jeshen Narayanan
Ombudsman