

The complaint

Miss P complains that Lloyds Bank PLC (Lloyds) lent to her irresponsibly.

What happened

Miss P took out a £3,000 overdraft with Lloyds in 2010. However, at the time she says she was young, unemployed and had a two-year-old child. Miss P has explained that she was aware at the time of the lending that she couldn't afford it and she doesn't think it was fair of Lloyds to provide her with the overdraft facility.

Miss P says she became stuck in the overdraft and couldn't afford to maintain the interest and charges being applied to the account. She's said that in October 2020 she contacted Lloyds about her financial difficulties, and it gave her a loan for £2,500 to repay some of the overdraft and reduced the overdraft to £500. However, she says she hasn't been able to afford either the loan or the remaining overdraft and has been stuck in the overdraft ever since.

In April 2025, Miss P complained to Lloyds saying it had lent to her irresponsibly when it approved the overdraft. She said this led to her paying more than she could afford in interest, fees and charges and has left her in long term debt that she's not been able to recover from. She says the debt has caused her stress and anxiety and has impacted almost every part of her life.

Lloyds looked into Miss P's complaint and said Miss P was too late to complain about the initial lending decision. However, it recognised that the overdraft hadn't been suitable for Miss P since 6 April 2019. So, it agreed to refund Miss P for the fees and charges that had been applied to the account between then and 11 June 2025 when it issued its final response. It applied 8% interest to the refund and removed the overdraft facility. It also confirmed that no adverse information had been recorded in relation to this account.

Miss P didn't accept what Lloyds said and felt it should refund her for the whole period of time that she'd had the overdraft as she wasn't aware until recently, she could complain about the account. So, Miss P referred her complaint to our service and one of our investigators looked into it. When our investigator requested information from Lloyds, it provided what it had but said it didn't consent to us looking into the complaint because it had been brought too late under the complaint handling rules set by the Financial Conduct Authority (FCA).

Our investigator disagreed with Lloyds and said that it hadn't been brought too late under the rules, so considered the complaint. However, she agreed that the offer Lloyds had already made was fair.

Miss P didn't accept what our investigator said and reiterated that although she was unhappy with the overdraft she didn't realise until recently that she could complain. 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.

There are time limits for referring a complaint to the Financial Ombudsman Service, and Lloyds thinks this complaint was referred to us too late. Our investigator explained why she didn't, as a starting point, think we could look at a complaint about the lending decisions that happened more than six years before the complaint was made. But she also explained why it was reasonable to interpret the complaint as being about an unfair relationship as described in Section 140A of the Consumer Credit Act 1974 (s.140), and why this complaint about an allegedly unfair lending relationship had been referred to us in time.

For the avoidance of doubt, I agree with our investigator that I have the power to look at the complaint on this basis. I think this complaint can reasonably be considered as being about an unfair relationship as Miss P says the overdraft lending was unaffordable for her. This may have made the relationship unfair as she's said she had to pay more in interest than she could afford and was unable to reduce the debt. I acknowledge Lloyds still doesn't agree we can look at parts of this complaint, but given the outcome I have reached, I don't intend to comment on this further.

In deciding what is fair and reasonable I am required to take relevant law into account. Because Miss P's complaint can be reasonably interpreted as being about the fairness of her relationship with Lloyds, relevant law in this case includes s.140A, s.140B and s.140C of the Consumer Credit Act 1974.

S.140A says that a court may make an order under s.140B if it determines that the relationship between the creditor (Lloyds) and the debtor (Miss P), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship.

S.140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed, requiring a refund, or to do or not do any particular thing.

However, just because there may have been unfairness in a consumer's relationship with a business doesn't automatically mean it would be fair to refund all of the interest and charges on the account from when that unfairness began.

In *Smith v Royal Bank of Scotland Plc* [2023], the Supreme Court said that remedies for unfair relationships are within the court's discretion to decide. However, where the claimant had knowledge of the facts relevant to their claim, but substantially delayed making the claim, the court may deny a remedy. There's no set time for how long a claimant would have to delay a claim before the court might decide to deny a remedy. However, the Supreme Court approved the District Judge's comment in the case that a court would be slow to

remedy unfairness in a situation where the claimant delayed more than six years after knowing the facts.

So, when reaching a decision about what a fair remedy might be in Miss P's case, I must take the principles around delaying bringing a claim into consideration.

Miss P complained in 2025, about the approval of an overdraft that took place in 2010 which is more than six years before the complaint was raised. However, I also need to consider when Miss P had knowledge of the facts that caused the unfairness that she's now complaining about.

I've thought carefully about what Miss P has told us, and I can see that she knew she couldn't afford the overdraft from the outset. From her testimony it's clear she quickly became reliant on the overdraft and struggled to manage the fees and charges from at least February 2018. Lloyds has also said Miss P was aware in 2016 when she spoke to it that if the account remained open it would continue to accrue interest. So, I think all this demonstrates she had knowledge of the unfairness that she is now complaining about from 2010 and at the very latest 2018.

Miss P has argued that she was unaware that she could complain about the account until recently. However, a customer doesn't need to know the specific regulations they just need to know they are unhappy in order to raise a complaint. And I think customers ought reasonably to be aware they can complain about something they aren't happy with or that is causing them difficulty. I can see that Miss P was aware the overdraft was unaffordable from 2010 and was aware the interest, fees, and charges were creating unfairness from 2018. So, I think Miss P was aware of the relevant facts of the claim but delayed in bringing it by more than six years given she didn't do anything about this until 2025.

Given the judge's comments and the facts of this case, I don't think it would be reasonable for me to award redress going back to 2010. But rather I think it would be fair to award redress for the six years prior to Miss P raising the complaint. I've reviewed the offer Lloyds has made and having done so, I'm satisfied the offer covers the last six years and is in line with the approach this service would take in a complaint of this type.

My final decision

My final decision is that I think the offer made by Lloyds Bank PLC is fair and reasonable in the circumstances of this complaint and I won't be asking it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 2 December 2025.

Charlotte Roberts
Ombudsman