

## The complaint

Mr F complains that Lloyds Bank PLC irresponsibly granted him an overdraft, and continued to provide it year on year, which he couldn't afford to repay.

## What happened

Mr F applied for a bank account with Lloyds in November 2019 and requested an overdraft with the account. His application was approved, and the account was opened, and came with an overdraft with a £1,150 limit. The limit remained unchanged until this day.

Mr F said that Lloyds failed to carry out the appropriate checks required before granting him the overdraft, and that they failed to recognise that he'd developed an ongoing reliance on the overdraft moving forward. So, in late 2023, Mr F complained.

Lloyds responded. They said that they carried out checks to satisfy themselves Mr F could afford to repay the money he was borrowing - using information such as his monthly income and deducting his regular costs – and based on their assessment, they concluded that the overdraft was affordable for Mr F. They said that based on the results of their checks, they were satisfied they had lent responsibly. They also explained that while Mr F remained in his overdraft, they charged daily interest instead of fees.

As a gesture of good will, Lloyds agreed to refund Mr F £30 to help reduce his overdraft limit. But Mr F remained unhappy, so he brought his complaint to our service.

An investigator considered Mr F's complaint but didn't recommend it be upheld. He said he was satisfied that:

- Lloyds carried out proportionate checks before agreeing to provide Mr F with an overdraft;
- Its checks hadn't revealed anything which suggested the overdraft was, or would be, unaffordable for Mr F;
- Lloyds completed annual reviews, that demonstrated no significant signs of financial difficulty for Mr F, and noted there was sufficient money flowing through his account to have repaid his overdraft if he so wished;
- Lloyds had also applied forbearance and frozen interest for a period of time in 2020; so it should have been apparent to Mr F that he could reach out to Lloyds if he had concerns about repaying his overdraft;
- Overall, there wasn't sufficient evidence to support Mr F's view that Lloyds had acted irresponsibly.

But Mr 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.

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 Mr F wishes to review it.

When Mr F applied for his overdraft, the checks Lloyds carried out included a credit check, as well as information he provided at the time of his application, along with any information they already held. Lloyds recorded Mr F's declared income at £1,400 a month; and noted he had just £675 of regular monthly expenditure, based on his own declaration. They said their credit decision system also took into account how Mr F had handled his finances in the past. Based on the credit score they obtained for Mr F at the time, and the information Mr F provided, they determined that the limit provided would be affordable for him.

Fundamentally, given an overdraft is a type of revolving credit facility, Lloyds needed to consider whether Mr F could repay the amount he could owe within a reasonable period of time. Looking at the information Lloyds obtained from the credit checks, and the disposable income this suggested Mr F would have had available to him - at around £700 a month - 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 £1,150 would have been affordable for him.

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

I can see that Lloyds wrote to Mr F on a number of occasions to check whether he required support in reducing his overdraft limit, and they explained how, in doing so, he could ultimately repay less.

Lloyds also carried out an annual review of Mr F's overdraft each year, and there were no apparent signs that Mr F was experiencing any financial difficulty. And I've noted that in the months leading up to the overdraft renewal, the amounts being paid into Mr F's account generally exceeded the sums leaving the account by a reasonable margin. And while this was not the case in 2022, it seems much of Mr F's outgoings were towards non-essential items, which, when removed from his expenditure, suggested he still had sufficient funds available to cover his outgoings, and could look to reduce his overdraft limit should he have wished to.

I can also see that in addition to Mr F's regular outgoings, he was also transferring money into savings. And in 2023, Mr F transferred around £10,000 into a savings account. I can also see that in February 2023, Mr F received a credit of approximately £20,000 into his account from what appears to be an insurance policy. After both of the transactions, Mr F's account remained in credit with a generous balance for a number of months, so I've seen nothing to suggest that Lloyds should have had any cause for concern at this point, or that they needed to intervene in any way. And there's no evidence to suggest that Mr F requested that his overdraft be removed at any point whilst his account remained in credit.

Mr F has argued the large sums of money paid into his account were being used to sustain his living expenses while he was in ill health.

I've noted the points Mr F has raised, and I'm sorry to hear of the ill health he was experiencing. And I accept Mr F may have been using this money to live on. But what I need to determine here, is whether there was anything to suggest to Lloyds that they shouldn't have continued to provide the overdraft. And when I consider the size of the credits Mr F received, and when I take into account the non-essential spending, and the periods of time he was in an in-credit balance; and, taking into account the regular communications from Lloyds offering to reduce his overdraft limit, I can't reasonably conclude that Lloyds should have thought at any point, that this overdraft had become unaffordable for Mr F, and that they should have stepped in to consider stopping providing it.

Mr F has argued that it's not for a business to determine whether his spending is essential or non-essential. From this, he seems to be suggesting that it remains a business's responsibility to monitor and check the account usage, and make decisions on the information they have, regardless of what a customer is spending their money on.

While to some extent I agree with the point being made here, I have to look at the matter holistically, and for the most part, Mr F's income generally exceeded his outgoings, and at no time throughout the life of the account did he appear to be struggling. And while for a short while, Mr F's outgoings did exceed his income, this wasn't by a considerable margin, and much of the spending did appear to be non-essential. And when I think about this, along with the considerable sums of savings Mr F was able to transfer, even if this money was being used to maintain his living costs; I see no reason why this would have suggested to Lloyds that there were any issues with Mr F's overdraft continuing to remain in place.

I've also considered that Mr F used some of the overdraft to fund gambling transactions. And have considered whether or not Lloyds should have done more to step in. However, the volume of gambling was minimal, and Lloyds did reach out to Mr F and check in on this point. But it was made clear by Mr F that this was just a social activity and not an addiction. And looking at the sums involved, I don't think this would have warranted any further action on Lloyds' part in the circumstances.

I can see that Lloyds paid Mr F £30 as a gesture of goodwill to help him. But aside from this, and while I know this will come as a disappointment to Mr F, from the evidence I've seen, I'm not persuaded that Lloyds need to do anything further in the circumstances.

Finally, I've also considered whether the relationship between Mr 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 Mr F, or otherwise treated him 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 Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 4 December 2025.

Brad McIlquham  
**Ombudsman**