

The complaint

Miss D complains that Lloyds Bank PLC (“Lloyds”) acted irresponsibly when it allowed her to increase her overdraft limits because had it conducted proportionate checks it would have seen it wasn’t affordable or sustainable.

What happened

The details of this complaint are well-known to both parties, so I won’t repeat them again here. The facts aren’t in dispute, so I’ll focus on giving the reasons for my decision.

On 13 January 2026 I issued a provisional decision on this case. In summary I said:

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, I can confirm that I’ve reached a different conclusion as our investigator and I don’t think that Lloyds needs to do anything else.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I’ve got is incomplete, unclear or contradictory, I’ve to base my decision on the balance of probabilities.

On 11 December 2025, I wrote to Lloyds and asked them to consider resolving the complaint informally as I was mindful to uphold the complaint for broadly the same reasons as our investigator. I identified that Mrs D was over reliant on her overdraft and that I believed there was evidence of financial difficulty.

Lloyds responded to say it didn’t agree with my assessment above and provided further arguments and evidence for me to consider. And having carefully considered this additional material, I’ve changed my stance and I’ve provisionally decided that I won’t be asking Lloyds to do anything else.

Did Lloyds conduct proportionate checks and make a fair lending decision

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. 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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

So before approving the overdraft limit and subsequent increases, Lloyds needed to make proportionate checks to determine whether the credit was affordable and sustainable for Miss D. There isn't a prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include – but aren't limited to the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. And it's important to note that an overdraft is designed for short term borrowing. I'd also expect Lloyds to think about Miss D's ability to repay the whole borrowing in a reasonable period.

Taking everything into consideration, I agree with our investigators view that Lloyds conducted proportionate checks and made fair lending decisions based on the information it had when it initially provided the overdraft and subsequent increases. There was no adverse information on her credit file and there was no reason for Lloyds to think that Miss D wouldn't be able to repay the overdraft within a reasonable period of time. So I'll now go on to consider Lloyds responsibility to review and monitor Miss D's overdraft usage.

Lloyds's responsibility to monitor and review Miss D's overdraft usage

The regulations put the onus on lenders that an overdraft isn't generally suitable for long term use. So as well as needing to act responsibly when it took the decision to grant the overdraft – ensuring that the overdraft was sustainably affordable without the need for Miss D to borrow more – Lloyds also needed to monitor and review her overdraft usage. And where it identified a pattern of repeat usage, it needed to take steps to try and reduce it.

The regulations that cover overdrafts make a distinct difference to the options a business has to consider between consumers that are repeat users of the overdraft AND show signs of financial difficulty, and those that don't. Lloyds identified Miss D to be overusing her overdraft and as a consequence, sent Miss D a series of overuse communications. And Lloyds told us that although it considered Miss D to be within the category of consumers that was overusing her overdraft, it didn't consider Miss D to be showing signs of financial difficulty. But I disagree as I think despite there being no adverse information on her credit file, there was evidence of financial difficulty in her reliance on hardcore lending with two further overdrafts and credit card accounts near to their credit limits.

And where consumers are identified as a repeat user AND show signs of financial difficulty, the business has to take a more proactive approach in contacting them. And on balance, considering the additional evidence and arguments Lloyds have provided, I think it has done this.

In addition to the repeat user communications it sent Miss D, Lloyds also sent additional communications to Miss D from its customer financial assistance team from April 2024 to January 2025. These letters offered internal support options and signposting for external assistance. And following this intervention, Miss D contacted Lloyds in October 2024 and was provided with interest suppression for a nine week period where no interest or fees were charged. Miss D was invited to re-engage should she require further support but chose not to. Had Miss D not contacted Lloyds, I would have expected a more proactive approach in trying to discuss the options available to her if she was struggling financially. But as Miss D did contact Lloyds and it put the nine week suppression in place, I'm satisfied it complied with its responsibility under the regulations on how it treats consumers that are overusing their overdraft AND show signs of financial difficulty.

Lloyds told us that it was unaware of Miss D's vulnerability until she raised her complaint in March 2025. It also told us that it declined four separate overdraft increase applications from May 2024 on the basis that at the time of the applications, its checks revealed that the increases were not affordable for Miss D. This is what I'd expect a responsible lender to do.

So on balance, I don't think Lloyds did anything wrong in how it monitored Miss D's overdraft and subsequently sent her letters regarding her overuse and additional letters from its customer financial assistance team. And when Miss D did make contact in October 2024, it stopped charging interest and fees for a nine week period and invited Miss D to engage further if she needed further support.

I appreciate that Miss D will be disappointed with my proposed outcome but having considered everything that both parties have said and submitted, I'm simply not persuaded, in the particular circumstances of this case, that Lloyds did anything wrong and I don't intend to uphold this case.

Did Lloyds act unfairly in any other way

I've also considered whether Lloyds acted unfairly or unreasonably in any other way, including whether the relationship between Miss D 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 D 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.

Lloyds acknowledged my provisional decision but didn't provide any additional information or evidence.

Miss D disagreed with my provisional decision and detailed her reasons why. She made the following points which I will respond to accordingly:

- Lloyds would have been aware of her financial difficulty and vulnerability before she raised her complaint in March 2025 as it had previously declined four separate overdraft increases and a debt consolidation loan. I don't think that these facts alone would highlight a consumers financial difficulty and vulnerability but that at the time of the applications, these were neither affordable nor sustainable. And as I pointed out in my provisional decision, this is something I would expect a responsible lender to do.
- Lloyds applied reduced interest and applied a nine week interest suppression which Miss D says indicated Lloyds had identified affordability and financial difficulties and vulnerability before March 2025. Whilst it's my opinion that Miss D was both overusing her overdraft AND showed signs of financial difficulty by October 2024, Lloyds have always maintained that it felt Miss D wasn't showing signs of financial difficulty and only became aware of her vulnerability and financial difficulty when she complained in March 2025. But that being said, the additional support that Lloyds showed by sending additional letters on top of the overuse letters and suppressing the interest for nine weeks, are the sort of things I'd expect a business to do had it been aware of financial difficulty regardless of the fact that Lloyds said it didn't realise.
- Lloyds didn't proactively contact Miss D after declining the overdraft increases and loan and she received no follow up communication once the nine week interest

suppression had ended. I would have expected Lloyds to have proactively contacted Miss D had she not done so herself but the fact that she did, I believe negated its responsibility. And after Miss D contacted Lloyds and discussed her concerns, it did take the action it did and continued to send overuse and additional support letters where appropriate. Within these letters are clear signposting to both internal and external help if required. And I think that as Miss D had contacted Lloyds when she required help and support, I think it would be a reasonable assumption by Lloyds that she would contact it further should the need arise.

I hope I've been able to address all of Miss D's points that she's raised but would re-iterate that if there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

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.

As I haven't been provided with any new material evidence to consider from either party, I can confirm that I have no reason to depart from my provisional findings and I now confirm them as final.

My final decision is I don't uphold Miss D's complaint. I appreciate that Miss D will be disappointed with this. But having considered everything that both parties have said and submitted, I'm simply not persuaded, in the particular circumstances of this case, that Lloyds acted unfairly in its lending to Miss D.

My final decision

My final decision is that I don't uphold Miss D's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 12 February 2026.

Paul Hamber
Ombudsman