

## The complaint

Miss J complains that Lloyds Bank Plc irresponsibly lent to her when it approved four loans.

## What happened

The facts of this case are familiar to both sides. With that being the case, I won't provide a detailed background here. Instead, I'll provide a brief summary.

Lloyds provided Miss J with four personal loans as follows:

Loan no.	Date	Amount	Term (months)	Repayment	Repaid
1	10/10/2021	£6,500	48	£186.15	22/06/2022 (by Loan 2)
2	22/06/2022	£7,255	60	£201.53	05/01/2023
3	12/07/2023	£9,000	60	£219.16	30/01/2024
4	09/07/2024	£1,000	12	£95.67	03/02/2025

In June 2024 Miss J complained to Lloyds about its decision to lend<sup>1</sup>. In doing so, Miss J says that Lloyds did not properly evaluate affordability, especially considering her actual spending and financial situation at the time.

In January 2025, Lloyds issued its final response in which it did not uphold the complaint. Unhappy with this, Miss J referred her complaint to our service.

One of our investigators reviewed Miss J's complaint and, having done so, issued their opinion in August 2025 in which they upheld the complaint in part. In short, our investigator thought Lloyds had carried out reasonable and proportionate checks prior to agreeing to lend Loans 1 and 2, and the information it gathered from those checks did not suggest Miss J was going to have difficulty sustainably repaying the lending. So, our investigator did not think Lloyds had acted unfairly when it approved these loans.

However, the investigator did not think Lloyds had carried out reasonable and proportionate checks prior to agreeing to lend Loan 3 and 4 and, if it had done so, they would have discovered a Miss J was in pattern of repeat borrowing such that it shouldn't have granted these loans.

Lloyds did not agree with our investigator and, as an agreement couldn't be reached, the complaint was passed to me to review afresh.

In October 2025, I issued a provisional decision in which I did not uphold the complaint. Here is what I had to say:

*I've considered all the available evidence and arguments to decide what's fair and*

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<sup>1</sup> Miss J also complained about Lloyds' decision to grant her an overdraft facility. This complaint was upheld by Lloyds and, as far as I am aware, is not the subject of this complaint.

*reasonable in the circumstances of this complaint.*

*Having done so, I don't think this complaint should be upheld. I understand this will come as a disappointment to Miss J, but I'll explain why I think this is a fair outcome in the circumstances.*

*However, before I do, 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 based my decision on the balance of probabilities.*

*The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website.*

*Lloyds needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss J could repay the loan repayments when they fell due and without the need to borrow further. These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.*

*So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:*

*1. Did Lloyds carry out reasonable and proportionate checks to satisfy itself that Miss J was likely to have been able to repay the borrowing in a sustainable way?*

*i. If Lloyds carried out such checks, did it lend to Miss J responsibly using the information it had?*

*Or*

*ii. If Lloyds didn't carry out such checks, would appropriate checks have demonstrated that Miss J was unlikely to have been able to repay the borrowing in a sustainable way?*

*There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:*

- the type of credit Miss J was applying for along with the size, length and cost of the borrowing; and*
- Miss J's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.*

*And generally speaking, I think reasonable and proportionate checks ought to have been*

more thorough:

- the lower an applicant's income because it could be more difficult to make the repayments as a result;
- the higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- the longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

### Loans 1 and 2

The investigator did not uphold the complaint about Loans 1 and 2 and neither Miss J nor Lloyds disagreed with the investigator's opinion in this regard. It therefore seems these loans are no longer in dispute, so I won't be commenting on them in detail.

But for completeness, I've reviewed all the information Lloyds gathered prior to granting both loans including details of Miss J's income, expenditure and information from her Lloyds bank account.

I consider these checks to be reasonable and proportionate in the circumstances. And, like the investigator, I don't think the results of these proportionate checks ought to have given Lloyds cause to carry out further checks or otherwise refuse to lend.

So I think Lloyds made a fair lending decision when it granted Loans 1 and 2.

### Loan 3

Miss J applied for a third loan in July 2023. The purpose of this loan was recorded as 'debt consolidation'.

During the course of this application, Miss J declared she was a private tenant, employed with an annual income of £37,500. Miss J also declared her monthly expenditure was £350 towards rent.

But this wasn't simply a case of Lloyds accepting over-optimistic declarations of Miss J's monthly disposable income at face value in this application. In its submissions to our service Lloyds says it cross-checked Miss J's declared income against information that it received from credit reference agencies which takes into account an applicant's declared income alongside current account turnover data (CATO) to help verify an applicant's regular income. Having done so, it made a slight upward adjustment – to about £2,405 - to Miss J's declared income.

I understand Lloyds modelled Miss J's essential expenditure using Office of National Statistics (ONS) data. The rules which relate to consumer credit state that a business may take into account statistical data unless it knows or has reasonable cause to suspect that the consumer's non-discretionary expenditure is significantly higher than that described in the data or that the data are unlikely to be reasonably representative of the consumer's situation. Thinking about the facts of this case, I am satisfied it was reasonable for Lloyds to adopt this

*approach when calculating Miss J's expenditure.*

*From Miss J's monthly income Lloyds deducted housing costs (based on Miss J's declaration), existing credit commitments (obtained from internal data and a credit search), non-discretionary expenditure and average living costs (obtained from ONS data). It also applied a buffer to account for variance. Having done so, it appeared Miss J had around £741 left over. Therefore, it looked like Miss J could comfortably afford the repayments for Loan 3 on a simple pounds and pence basis.*

*As I've said, Lloyds also carried out a credit search prior to agreeing to lend - and it has provided the results it received from the credit reference agency.*

*Looking at things in the round, I think Lloyds proceeded with a proportionate amount of information. However, once Lloyds had the information it thought it needed, it then had to evaluate it because it still had to reasonably assess whether Miss J could afford to meet the loan repayments in a sustainable way over the term of the loan.*

*I've reviewed the bank statements covering the three months prior to approval of Loan 3. Having done so, it appears Miss J's average income over the three months prior to the lending in question was slightly higher (around £2,778) than the figure Lloyds relied on in its affordability calculation.*

*The bank statements show Miss J was using her overdraft fairly regularly. However, I note that upon receipt of her salary the account was brought into credit. I don't think there was anything obvious within the bank statements which ought to have given Lloyds cause for concern or otherwise lead it to refuse to lend. And, as the bank statements suggest that there was a reasonable amount of discretionary spending in this period, the repayments for Loan 3 did appear to be affordable on a pounds and pence basis.*

*I've turned to look at the results from the credit check Lloyds carried out. Having done so, I don't think this ought to have alerted it to the possibility that Miss J may have trouble managing her money. I say this noting there was no evidence of active financial problems – such as defaults, insolvencies or any other public records (such as County Court Judgments) – which ought to have given Lloyds cause for concern.*

*So, it seemed from the credit file that at the point that the lending decision was made, Miss J was managing her existing credit commitments. I don't think the results of the credit check Lloyds carried out – or anything else from the information it gathered - ought to have given Lloyds cause to make more searching enquiries of Miss J's financial situation or otherwise lead it to refuse to lend.*

*As the investigator noted, this was the third loan Miss J had taken out with Lloyds in the space of two years (interspersed with borrowing from other lenders). I accept that this may be a warning sign that an applicant is in an unsustainable pattern of borrowing or otherwise experiencing financial stress and strain. But, unlike our investigator, I don't think this in and of itself was sufficient to conclude Lloyds failed to conduct reasonable and proportionate checks.*

*I say this noting that the overall amount Miss J was borrowing from Lloyds had only increased by £2,500 over a period of two years. This is not, in my view, indicative of either debt which is spiralling to an unsustainable level or of borrowing in a way that is harmful or problematic. A further indication this is the case is it appears Miss J was (in the main and based on the available evidence) only indebted to one lender at a time, as opposed to having multiple debts running concurrently.*

*Having thought carefully about all of this, while there was a pattern of lending, I don't think there were clear signs that this borrowing had become unsustainable. In other words, I'm satisfied that it wasn't immediately obvious that Loan 3 was demonstrably unsustainable for Miss J. And there isn't anything else obvious in this application which clearly demonstrates Miss J couldn't have afforded Loan 3.*

*As this is the case, I don't think that Lloyds acted unfairly when it agreed to lend Loan 3 - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And Loan 3 was provided in circumstances where Miss J's indebtedness didn't appear to be increasing unsustainably.*

#### Loan 4

*Miss J applied for a fourth loan in July 2024, around six months after Loan 3 had been settled. The purpose of this loan was recorded as 'miscellaneous'. This loan appears to be a separate line of borrowing.*

*Prior to agreeing to lend, Lloyds asked Miss J to provide the same information as it had done for the prior loan. Miss J declared she was a private tenant, employed with an annual income of £43,000 (a slight increase since Loan 3). Miss J also declared her monthly expenditure was £350 towards rent.*

*Lloyds also verified this information in much the same way as it did before which I don't find necessary to repeat again here.*

*Lloyds' own assessment concluded Miss J's income was £2,710. From this, it made the same deductions as it did for Loan 3 – namely housing costs, existing credit commitments, non-discretionary expenditure and average living costs – which it obtained from the same sources. It also, once again, applied a buffer to account for variance. Having done so, it appeared Miss J had around £807 before the lending in question was taken into consideration. Therefore, it looked like Miss J could comfortably afford the repayments for Loan 3 on a simple pounds and pence basis.*

*As I've said, Lloyds also carried out a credit search – and it has provided our service with a copy of the results.*

*Noting the size of the lending in question – and in particular the size of the monthly repayments relative to what Lloyds understood to be Miss J's income - I think Lloyds proceeded with a proportionate amount of information.*

*I have reviewed Miss J's bank statements in the months prior to the lending in question. These suggest the figures Lloyds relied on as part of its affordability assessment were broadly accurate. These also show Miss J was continuing to refinance her 'main' debt through other lenders. Indeed, I can see (as Lloyds did) that Miss J took out a loan with one lender which she used to repay another lender about a month prior to taking out Loan 4. I accept that this may be a potential indication of Miss J's debt beginning to spiral to an unsustainable level. But at this stage – and noting the amount Miss J was looking to borrow from Lloyds - I think such a conclusion would be unreasonable. However, I would expect Lloyds to keep an eye on Miss J's repayment record, which up until this point appears to have been good, as well as her overall indebtedness before deciding to provide her with any further credit after this.*

*However, putting that to one side, I note the bank statements did not suggest Miss J was committing large sums towards any existing credit commitments.*

*In addition, the statements show Miss J's overdraft usage remained fairly consistent. Upon receipt of her salary the account was brought into credit before the account became overdrawn again a week or so later. I do, however, note that this to be in part caused by what appears to be transfers to another account held in Miss J's name. I don't think this ought to have given Lloyds a cause for concern. I say this noting that was not anything else obvious within the bank statements which suggest Miss J was experiencing financial hardship. And, noting the bank statements do also suggest that there was a reasonable amount of discretionary spending in this period, the repayments for Loan 4 did appear to be affordable on a pounds and pence basis.*

*The credit check Lloyds carried out didn't throw up any signs that Miss J may have been struggling financially. There was no evidence of active financial problems – such as defaults, insolvencies or any other public records (such as County Court Judgments) – which ought to have given Lloyds cause for concern.*

*So, it seemed from the credit file that at the point that the lending decision was made, Miss J was managing her existing credit commitments. I don't think the results of the credit check Lloyds carried out – or anything else from the information it gathered - ought to have given Lloyds cause to make more searching enquiries of Miss J's financial situation or otherwise lead it to refuse to lend.*

*With all of this being the case – and noting Miss J had a good repayment record with Lloyds - I have seen insufficient reason for Lloyds to have made further checks prior to agreeing to lend – or otherwise refuse to lend altogether.*

*Therefore, I do not think Lloyds acted unfairly when it approved Loan 4.*

*Did Lloyds act unfairly or unreasonably in some other way?*

*In reaching my conclusion, I've also considered whether Lloyds acted unfairly or unreasonably in some other way given what Miss J has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.*

*However, for the reasons I've already given, I don't think Lloyds lent irresponsibly to Miss J 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.*

*So overall and having considered everything, I don't think that Lloyds treated Miss J unfairly or unreasonably when providing her with these loans. Therefore, whilst I appreciate this will be very disappointing for Miss J, I'm not currently minded to uphold her complaint.*

### **Responses to my provisional decision**

In response to the provisional decision Miss J raised a number of points. I'd like to thank her taking the time to do so. Whilst I've thought carefully about what Miss J has said, I won't set it all out here. Instead, I will provide a brief summary. In short, Miss J said:

- She accepted my conclusions with regards to Loans 1 and 2 and only disputes my findings with regards to Loans 3 and 4.
- Lloyds did not conduct proportionate checks, particularly given that she held her current account with Lloyds which it ought to have utilised instead of relying on ONS

data. If it had conducted further checks, it would have seen that she was in consistent and worsening financial difficulty.

- There was evidence of financial difficulty in the form of heavy overdraft usage and borrowing from other lenders.
- Gambling transactions were visible on her current account which would have alerted Lloyds to potential vulnerabilities.

Lloyds did not respond to the provisional decision.

As the decision to grant Loans 1 and 2 are no longer in dispute, I make no further comment regarding these loans within this 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.

I've also carefully considered everything that has been said in response to my provisional decision. Having done so, I am not minded to depart from the findings set out in my provisional decision. This being that I don't think Lloyds need to do anything further to resolve matters. I understand this will come as a disappointment to Miss J, but I'll explain why.

Prior to agreeing to lend, Lloyds obtained declarations from Miss J about her circumstances, and it took steps to verify her income. It estimated her essential expenditure based on ONS data which the rules allow it to do unless it had cause to think it was unlikely to be representative of her actual circumstances - and I don't find sufficient cause for Lloyds to have reached that conclusion in this case. And Lloyds conducted a credit search.

I recognise Loan 3, in particular, was a not insignificant sum and this may have been cause, in and of itself, for Lloyds to conduct further checks. But I don't think the information Lloyds gathered in the course of its checks suggested that Miss J may have been having problems managing her finances. This, coupled with the fact the overall amount Miss J was borrowing from Lloyds had only increased by £2,500 over a period of two years (which would not suggest her debt was spiralling to an unsustainable level) and her good repayment history, leads me to conclude that, on balance, these checks were reasonable and proportionate in the circumstances of this case.

In other words, I don't think Lloyds had reasonable cause – from the output of the checks it carried out – to conduct further checks such as a forensic analysis of Miss J's bank statements. In my view, such checks would be disproportionate in the circumstances.

Notwithstanding this, as I noted in my provisional decision, the bank statements covering the months prior to both Loans 3 and 4 do show regular overdraft use. However, I note that upon receipt of Miss J's salary the account was brought into credit. And the bank statements suggest that there was a reasonable amount of discretionary spending in this period, in addition to transfers out to what appears to be other accounts held by Miss J. With that being the case, I don't think a high-level review into the way Miss J was conducting her current account would have alerted Lloyds to any financial problems she may have been having such that it should not have agreed to lend.

Miss J has pointed to gambling transactions present on the account as evidence of potential vulnerability. I recognise there was evidence of reasonably high levels of gambling,

particularly in the month prior to the decision to grant Loan 4. However, in my view, proportionate checks simply wouldn't have gone into the level of granularity whereby Lloyds ought reasonably to have picked up on this.

Whilst I've thought carefully about everything that has been said and provided, I don't think what has been said in response to my provisional decision changes the outcome I've reached. I appreciate that this will come as a disappointment to Miss J however, for the reasons I've explained, I don't think Lloyds acted unfairly when it agreed to lend.

### **My final decision**

My final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 15 December 2025.

Ross Phillips  
**Ombudsman**