

The complaint

Mr S complains that Lloyds Bank PLC (Lloyds) lent to him irresponsibly.

What happened

Mr S took out a loan with Lloyds in July 2023 for home improvements. The loan was for £3,000 over 48 months with a repayment of £98.44 a month.

In November 2024, Mr S complained to Lloyds with the help of a professional representative. In his complaint, Mr S said at the time of the lending Lloyds failed to perform proportionate checks and lent to him unfairly. He thinks that if Lloyds had completed proper checks, it would have known the lending wasn't sustainable.

Lloyds looked into the complaint and issued a final response letter saying it didn't think it had acted unfairly. It said it had confirmed the agreement was affordable using the information Mr S had provided in the application, information from the credit reference agencies, and its own internal system.

Mr S didn't accept Lloyds response, so he referred his complaint to our service, again with the help of a representative. One of our investigators looked into the case. Based on the evidence that was available, our investigator initially said she couldn't reasonably conclude that the lending was irresponsible, or that the relationship was unfair. However following comments from Mr S's representatives, she changed her view and said Lloyds had acted unfairly in lending to Mr S.

Lloyds provided further comments explaining why it didn't agree with the investigators view. As there was no agreement, the complaint has been passed to me 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.

Having reviewed the evidence, I issued a provisional decision saying:

"I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

Did Lloyds carry out reasonable and proportionate checks to satisfy itself that Mr S was able to sustainably repay the credit?

If not, what would reasonable and proportionate checks have shown at the time?

Did Lloyds make a fair lending decision?

Did Lloyds act unfairly or unreasonably towards Mr S in some other way?

Lloyds had to carry out reasonable and proportionate checks to satisfy itself that Mr S would

be able to repay the credit sustainably. It's not just about Lloyds assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Lloyds has explained that it carried out a credit search to get an understanding of Mr S' situation before it decided to lend to him. It hasn't provided a copy of what it found, but Mr S has provided a copy of his credit file. I've reviewed this to understand what Lloyds would likely have found at the time of the lending. It shows that Mr S was up to date with all other accounts and didn't appear to be over indebted or struggling to manage his finances at the time of the lending.

Mr S has said he had previously missed payments to his mortgage, I've thought about this, but I think this would be considered historic data. It's clear Mr S ran into some difficulties with other creditors between 2018 and 2021 including his mortgage. However, it appears that by March 2021 Mr S' situation had improved, and he maintained his mortgage without issue from that point onwards. Given Mr S had demonstrated that he was managing his finances without issue for over a year before this lending, I wouldn't have expected Lloyds to decline the lending on this basis.

Mr S has also said he was paying more towards his mortgage than he declared, and this should have been apparent to Lloyds from his credit file. I appreciate this might have been the case given the second charge mortgage he had recently taken out. I agree that it would have been reasonable for Lloyds to take this into account. But I must also consider that Mr S was receiving on average £930 from his wife each month and he has said she contributed towards the cost of the mortgage. So, if this is deducted from the total mortgage cost, Mr S needed to pay just over £1,000 a month. Whilst this differs from Mr S' declaration, it's not so significant that it dramatically reduces Mr S' disposable income and makes the lending unaffordable.

Before lending to Mr S, Lloyds also asked him about his income, and he declared that he was earning £49,000 annually. It calculated that this meant he was likely earning £3,044 a month. Lloyds verified the information Mr S provided using the credit reference agencies and received a high confidence score that the sum provided was accurate. It hasn't been able to provide evidence of this, so I've considered Mr S' statements for the three months prior to the lending to understand what his income was. Having done so, I'm satisfied that Mr S' average monthly income was a little higher than that used by Lloyds. So, I think Lloyds likely received a high confidence score from the credit reference agencies in relation to income.

Given this, I don't think it would have been necessary for Lloyds checks to go further here. Lloyds used data provided by Mr S, national averages and data from the credit reference agencies to establish Mr S' likely expenditure. It found that after payments for housing, credit, other essential expenses, and applying a buffer of £112.50, Mr S would have a disposable income of just over £1,000 which is reasonable.

Lloyds applied estimates for Mr S' regular living expenses using national averages which is an approach it's allowed to take under the relevant lending rules. Lloyds' checks led it to use less favourable amounts for income and expenditure than those I've seen on Mr S' statements. In other words, it used a lower figure for his income. This, in conjunction with the disposable income and the credit report, which didn't reveal any signs of current financial difficulties, persuades me that reasonable and proportionate checks would have shown the lending was affordable.

Mr S thinks a more detailed assessment of his expenditure should have been completed. He says he was reliant on his overdraft with Lloyds in the run up to the lending, but I haven't seen any evidence of this. It appears Mr S was managing the account well and his use of the overdraft was minimal in the three months before the lending. Indeed, throughout much of the time Mr S had a healthy balance in the account.

Lloyds needed to satisfy itself that Mr S would be able to repay the debt in a sustainable way, within a reasonable period. In this instance, Lloyds offered a loan of £3,000 with repayments over 4 years of £98.44. This represents a low proportion of Mr S' monthly income and left him with a healthy disposable income.

Looking at the evidence, I can see the monthly repayments were relatively low. There was also no information from the credit file that indicated Mr S was struggling with his finances as of July 2023, or that he would struggle to repay the credit.

Lloyds hasn't been able to provide evidence of the results of all of its checks. So, I can't be sure the checks Lloyds completed were reasonable and proportionate. However, having reviewed Mr S' statements and credit file from the time, I'm satisfied the decision to approve the loan was reasonable based on the information Lloyds would likely have found had it completed reasonable and proportionate checks. I'm very sorry to disappoint Mr S but overall, I'm not persuaded that Lloyds created unfairness in its relationship with him as a result of its decision to lend.

Mr S seems to have managed payments to the loan in a reasonable way since July 2023, and I haven't seen any other evidence that demonstrates Lloyds treated Mr S unfairly in any other way.

Finally, I've thought about whether considering this complaint more broadly as being about an unfair relationship under Section 140A of the Consumer Credit Act 1974 would change the outcome here. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome in this particular case.

So, based on the available evidence, I'm not satisfied that Lloyds created unfairness in its relationship with Mr S by lending to him irresponsibly, or in the way it handled the account under the credit agreement. So, I don't find that Mr S' relationship with Lloyds was unfair, and I can't conclude Lloyds treated Mr S unfairly in any other way based on what I've seen."

Lloyds responded accepting my decision and Mr S' representatives responded but didn't make it clear whether Mr S accepted or rejected the decision.

Having reviewed the responses, neither party have provided any further new evidence and so I don't see a reason to depart from the findings reached in my provisional decision.

My final decision

My final decision is that I don't uphold Mr S' complaint about Lloyds Bank PLC for the reasons I've set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 December 2025.

Charlotte Roberts
Ombudsman