

The complaint

Mr P complains that Lloyds Bank PLC lent to him irresponsibly.

What happened

Mr P has applied for and received three loans with Lloyds as follows:

	Date	Amount	Repayment	Defaulted	Closed
Loan 1	April 2013	£10,000	£206.64	September 2017	
Loan 2	April 2014	£1,500	£143.65	n/a	September 2015
Loan 3	November 2015	£1,000	£95.52	n/a	March 2017

On 3 February 2025, Mr P complained to Lloyds. He said Loan 1 was the start of his financial problems and he doesn't feel any of the loans were lent responsibly. Lloyds said that at the time of each application Mr P had sufficient disposable income and met its lending criteria. It said that his circumstances changed in 2017 which led to him missing payments and the subsequent default. It noted that Loans 2 and 3 were repaid with no apparent problems. Lloyds didn't uphold Mr P's complaint about the loans.

Mr P was unhappy with Lloyds' response so he referred his complaint to our service. When we asked the bank for its file on the complaint, it told us the complaint had been referred too late for us to consider under the rules set by the Financial Conduct Authority (FCA) as more than six years had passed since the lending decisions were taken.

One of our investigators considered what Lloyds had said, but felt the complaint could reasonably be considered as being about an unfair relationship as described in Section 140A of the Consumer Credit Act 1974 (s.140). Because the debt under Loan 1 was still outstanding (even though it was defaulted), the relationship between Mr P and Lloyds was ongoing. This meant that while we couldn't consider the lending decision itself because it had taken place too long ago, we could consider the fairness of the relationship it created that was ongoing. Loans 2 and 3 however had been brought too late as the relationships created by those decisions had ended more than six years before Mr P complained.

So our investigator looked more closely at Loan 1. She noted a default was registered for the loan in September 2017 and Lloyds had stopped charging interest at this point. She said that even if she was to uphold the complaint, she would be looking to award a refund of interest for the six years prior to Mr P raising it. As none was charged in that period, she said she wouldn't look into the matter further.

Mr P didn't agree with our investigator so 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 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 s.140, and why this complaint about Loan 1 as 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 about Loan 1 on this basis. I think this complaint can reasonably be considered as being about an unfair relationship as Mr P says the loan was unaffordable for him and caused financial difficulties over the following years. This may have made the relationship unfair as he had to pay more than he could afford. I acknowledge Lloyds still doesn't agree we can look at this complaint, but as I don't think it should be upheld, 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 Mr P's complaint can be reasonably interpreted as being about the fairness of his 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 (Mr 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 – including reducing the amount owed or 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 pointed out that remedies for unfair relationships are in the court's discretion and the court may deny a remedy where the claimant had knowledge of the facts relevant to their claim, but substantially delayed making the claim. So when deciding a fair and reasonable outcome to Mr P's complaint and fair redress, it's important for me to take this into account as relevant law. There is no fixed period of delay that brings this principle into play, but 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.

We consider that a complainant would have knowledge of the facts that caused the unfairness he complains of when they became aware of a problem and that they were suffering a loss.

What this means for Mr P's complaint

Loan 1

While Loan 1 was defaulted in September 2017, the relationship continued as money was still owed under the loan agreement. So as stated above, I think I can look at a complaint about an unfair relationship with regards to this loan. But I don't think that doing so would result in any redress being paid to Mr P. Let me explain.

Mr P had knowledge of the relevant facts that may have caused the unfairness he complains of (that he couldn't afford to repay the loan) from at the latest September 2017 when the account was defaulted. So he was aware of the problem then, and he would have been aware he was suffering a loss as Lloyds was charging interest to that point. But he didn't do anything about this until he complained in 2025.

With that in mind, if I were to uphold the complaint, it wouldn't be fair for me to tell Lloyds to refund interest and charges going back more than six years before Mr P complained about it. But Lloyds stopped charging interest from September 2017 when it defaulted the loan, and he didn't complain until February 2025. And the default registered on Mr P's credit file will no longer be reporting as the credit reference agencies only record data for six years. So even if I were to uphold the complaint, there would be no refund due as no interest or charges were applied to the account in the last six years, and there's nothing to remove from his credit file. For these reasons, I've not looked into the complaint any further.

Loans 2 and 3

As Loans 2 and 3 were repaid in full by September 2015 and March 2017 respectively, the relationships created by those loan agreements ended by those dates. Our investigator has already explained that we can't look at the lending decisions for these loans, as Mr P didn't raise his complaint within the timeframes allowed under the rules. But we're also unable to consider a complaint about the fairness of the relationships created by these loans as they ended more than six years before the complaint was raised.

I am sorry to disappoint Mr P, but for the reasons explained, I don't uphold his complaint about Loan 1 and I don't have the power to look into Loans 2 and 3.

My final decision

My final decision is that I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 2 February 2026.

Richard Hale

Ombudsman