

## **The complaint**

Miss A complains that Lloyds Bank PLC (“Lloyds”) acted irresponsibly when it failed to monitor the overuse of her overdraft and spot that she was in financial difficulty from March 2019.

For the sake of clarity, although Miss A has held an account with Lloyds for a number of years and has had a number of increases and decreases, Miss A has specifically complained about the activity from March 2019. As Miss A raised her complaint to Lloyds in January 2025, this is clearly within the last six years and within our jurisdiction to consider.

## **What happened**

Miss A has held a Lloyds current account for a number of years since 2015. The last increase took place on 22 May 2023 when the overdraft limit was increased to £2,000.

In January 2025 Miss A complained to Lloyds that it had failed to monitor her overdraft use from March 2019 (when the limit was £1,050 and incrementally increased to £2,000) when she was struggling financially.

On 27 March 2025, Lloyds sent Miss A a final response letter (“FRL”). Under cover of this FRL Lloyds explained why it wouldn’t be considering the lending decisions made more than six years ago but acknowledged the overdraft was no longer affordable from May 2024. Lloyds refunded the interest, fees and charges from this date and paid Miss A compensation of £30 for the distress and inconvenience caused by not helping her sooner.

Unhappy with the FRL, Miss A brought her complaint to our service.

Miss A’s complaint was considered by one of our investigators who didn’t uphold it, coming to the view that Lloyds had treated Miss A fairly.

Miss A didn’t agree and so her complaint has been passed to me for review and 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.

Having done so, I can confirm that I’ve come to the same overall conclusion as the investigator and for broadly the same reasons.

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.

*Did Lloyds conduct proportionate checks and make fair lending decisions?*

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 increasing the credit available to Miss A, Lloyds needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. 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 A's ability to repay the whole borrowing in a reasonable period.

Lloyds told us it conducted a credit check before the increases from 2019 were approved and told us there was no recent adverse information and Miss A demonstrated she had a sufficient disposable income left each month to pay back the overdraft within a reasonable period of time. I asked Miss A for a copy of her credit report so I could see for myself what Lloyds would have seen at the time it conducted its checks. Miss A was unable to provide this and so my decision is based on the information and evidence I've seen so far.

So I've gone on to look at Miss A's current account statements to see what Lloyds would have seen. I can see that prior to the last overdraft increase being approved, Miss A's account was on the whole well managed and she appeared to be using her overdraft as intended. Lloyds told us it saw no adverse information from the credit reference agency, and I've seen no evidence to contradict this based on Miss A's bank statements. Miss A appeared to have a sufficient amount of income going into her account to be able to repay the overdraft within a reasonable period of time had she wished to do so.

I don't think Lloyds needed to conduct any further checks at this stage as from what I've seen from the statements, Miss A had managed her account well up until the overdraft was increased. And I think it's reasonable that businesses can rely on the information that consumers provide and what the credit checks reveal when making their lending decisions. So I think Lloyds made a fair lending decision when it agreed to increase the limit to £2,000 based on the proportionate checks it conducted as there was no evidence to suggest the overdraft wasn't sustainable for Miss A.

*Did Lloyds monitor Miss A's repeated use of her overdraft?*

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 A to borrow more – Lloyds also needed to monitor and review her overdraft usage. And where it identified a pattern of repeat usage, as with Miss A's account, it needed to take steps to try and reduce it. And on balance, I'm satisfied that Lloyds did this when it sent her several repeat usage letters from January 2021. And although it was clear that Miss A was using her overdraft constantly after the increase to £2,000, I can't say, from the evidence I've seen, that there were signs of financial difficulty.

Lloyds identified Miss A as a repeat user when it sent her repeat users letters to her from January 2021 onwards. These letters highlighted the cost of using her overdraft repeatedly and made Miss A aware of support options if she was struggling.

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. And although it's clear that Miss A was clearly a repeat user, I can't say that there was any obvious evidence of financial difficulty. So on balance, I think Lloyds monitored Miss A's overdraft fairly and in accordance with the regulations up to the point where there was evidence of financial difficulty prior to May 2024.

Prior to May 2024, Miss A had at times exceeded her limit, had direct debits returned and was constantly overdrawn for a prolonged period and I think this should have been evident to Lloyds. But as it has subsequently upheld Miss A's complaint from this point and refunded interest, fees and charges and paid additional compensation to Miss A, I won't be asking Lloyds to do anything else. I say this as this is what I would have expected a business to do and is in accordance with our approach.

I've noted that there were regular payments going out of Miss A's account into a savings account. Our investigator noted that taking this into consideration, Miss A had at times sufficient funds to be able to clear or reduce the overdraft. Miss A however told us that she was moving money in order to safeguard against emergencies and essential future expenses. But I think that there were sufficient funds available at certain times, for Miss A to either reduce or clear the overdraft had she wanted to but Miss A chose to manage both accounts in this way. So on balance, I don't think there were any obvious signs of financial difficulty apart from what I've highlighted above.

I appreciate that Miss A will be disappointed 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 made unfair lending decisions when increasing her overdraft or in its monitoring of it subsequently up until May 2024.

#### *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 A 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 A 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.

#### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 11 February 2026.

Paul Hamber  
**Ombudsman**