

The complaint

Mr G complains that Lloyds Bank PLC irresponsibly provided him with an overdraft facility.

What happened

Lloyds provided Mr G with a student bank account with an overdraft facility on the terms set out in the table below:

| Date | Event | Credit limit |
|----------------|---------------------------------------|--------------|
| February 2018 | Original limit | £500 |
| August 2020 | 1 st credit limit increase | £2,000 |
| March 2021 | 1 st credit limit decrease | £1,900 |
| August 2021 | 2 nd credit limit decrease | £1,860 |
| September 2021 | 2 nd credit limit increase | £1,890 |
| May 2022 | 3 rd credit limit decrease | £1,000 |

**Lloyds has confirmed the account became interest bearing in July 2021*

Mr G complained to Lloyds in May 2025 about irresponsible lending, saying the credit limits it provided have caused financial hardship and impacted his health. Lloyds didn't provide Mr G with a response to his complaint within the regulatory eight week timescale, so he referred his complaint to our service for review.

In November 2025 while the complaint was with one of our investigators Lloyds issued a final response letter in which it upheld Mr G's complaint. Although it didn't review any events more than six years before Mr G had made his complaint – because it said Mr G's complaint had been made too late for these to be considered – it noted that Mr G's account had only become interest bearing from July 2021; meaning he'd not suffered any financial loss prior to this date.

Lloyds' final response considered that it shouldn't have continued to provide Mr G with the overdraft facility, and it arranged to resolve his complaint on the following terms:

- A refund of all interest and charges applied to the account since it became interest bearing in July 2021.
- Removal of any adverse information which may have been reported to credit reference agencies about the account.
- A payment of £100 to reflect the inconvenience caused and the time it had taken Lloyds to resolve Mr G's complaint.

Lloyds said it would apply the redress to the account to reduce the overdraft balance, which essentially left Mr G with a balance just under £200 to repay; and that it would remove the overdraft facility given Mr G's complaint was about unaffordable lending, and that it had identified it wasn't responsible to continue to provide Mr G with this lending.

Mr G didn't accept Lloyds' redress, saying it should have reviewed the details of his complaint from the beginning of the relationship, and that he didn't think he should have to repay the remaining outstanding debt. Mr G said the provision of the overdraft has caused

financial hardship, as well as impacted both his physical and mental health across the years, and he considers Lloyds' redress needed to take this into account.

Our investigator went on to consider the details of the complaint and concluded that Lloyds' redress was fair and reasonable in resolution of the complaint. Lloyds didn't respond to our investigator's view; Mr G responded and didn't agree. In summary, he maintained his position and said:

- The overdraft was unaffordable from the outset.
- The ongoing debt has been a constant cause of financial distress and anxiety, and has impacted his physical and mental health.
- When the overdraft limit was reduced he needed to borrow money elsewhere to repay it.
- He didn't complain sooner because he was unaware he had the grounds to do so.
- The remaining balance should be written off, given Lloyds has acknowledged it shouldn't have continued to provide the facility on the same terms from 2021.

Mr G asked for an ombudsman's review, so 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.

The information in this case is well known to Mr G and Lloyds, so I don't intend to repeat it in detail here. I'd like to assure both parties I've carefully reviewed everything available to me even though I may not have commented on it, because I've focused my decision on what I consider to be the key points of this complaint. I don't mean to be discourteous to Mr G or Lloyds by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've followed this approach when considering Mr G's complaint.

Having done so, I consider Lloyds' redress is in line with this service's well established approach to redress in irresponsible and unaffordable lending complaints, and therefore is fair and reasonable in resolution of Mr G's complaint.

I say this because:

- Our service's approach to redress is to put a customer back in the position they would be in, as far as possible, if it were not for the error caused by the business.
- Where this involves lending, it isn't always possible to unwind credit agreements or facilities, given the borrower has used the funds. We'd expect the borrower to repay the capital amount lent, given they've had the use of the funds, but we wouldn't expect them to pay any interest or charges for that borrowing.
- In the individual details of Mr G's complaint, he was provided with a student bank account and student overdraft facility. It's largely an industry recognised approach that student accounts attract interest free overdraft facilities in the initial years; and given the nature of the customer it's largely accepted that these individuals won't be working or will have part time work around their studies.
- Our service's general approach to these types of complaints is that once an overdraft facility becomes interest bearing, a business should conduct some form of affordability assessment to ensure the customer can sustainably afford to repay the

overdraft, or pay interest and charges for using it; and if the checks determine they can't, the business should engage with the customer to discuss forbearance and support measures that can be put in place.

- So, while I acknowledge Mr G's comments about the facility being provided in 2018, it only became interest bearing in 2021; and Lloyds has provided evidence confirming this. As such, I've focused my review on Lloyds' actions once the account became interest bearing and there was the potential for financial loss.
- Having done so, I'm in agreement with our investigator, for broadly the same reasons, that Lloyds' redress is fair and reasonable in resolution of Mr G's complaint.
- I say this because Lloyds' redress is in line with our service's well established approach to redress for irresponsible and unaffordable lending complaints. It removes any financial loss Mr G has incurred because of the unaffordable lending as far as is reasonably possible, and while there is still an outstanding balance to repay, I consider it reasonable that Mr G is expected to repay this, given it is the capital he originally borrowed and had the use of.

I've also considered if Lloyds has acted unfairly in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

Having done so I haven't seen anything to suggest it has acted unfairly. I say this as once Mr G contacted Lloyds and made his complaint it did review the situation and uphold his concerns, providing redress in line with our service's approach as I've set out above. And while it didn't deal with his complaint within the regulatory timescales, it did acknowledge this and made a payment of £100 to reflect this, as well as reflect the inconvenience of the situation.

I acknowledge Mr G has said the provision of this overdraft has caused him financial difficulty, and impacted his health. However, I can't reasonably conclude it was solely the provision of this overdraft and Lloyds' actions that have had this impact on him. Mr G has told us that his personal circumstances have changed over the years; and it appears to me these changes will have had a significant impact on his financial and health situation.

And while I accept this overdraft debt will have been an ongoing concern for Mr G, I haven't been presented with evidence that he reached out to Lloyds to express these concerns, or to look to obtain support. So, while I don't doubt Mr G's testimony, I can't reasonably conclude that it was solely Lloyds' actions that have led to his financial difficulties and impacted his health, and it therefore follows I'm not directing it to make a further payment for distress and inconvenience, or write off the capital debt that remains outstanding.

Mr G has said he obtained borrowing from other lenders to repay his overdraft debt when it was reduced in 2022. I've reviewed the bank statements Lloyds has provided. It shows that Mr G received a transfer into his classic account from what appears to be an account in joint names with himself and another individual, and that an amount was transferred to his student account to reduce the overdraft balance to within the lower facility limit. I've not seen anything to suggest Lloyds was or ought reasonably to have been aware that Mr G had borrowed funds to reduce his overdraft balance to within the new limit. Or that Mr G made it aware of this, or financial difficulties, at this time.

As such, taking all the above into account I consider the redress Lloyds has set out within its final response results in fair compensation for Mr G in the individual circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I acknowledge my decision will likely be disappointing to Mr G; but for the reasons set out above it follows that I'm not directing Lloyds to take any further action in resolution of this complaint.

I understand that since this complaint has been referred to our service that Lloyds has closed Mr G's account and is engaging with him for repayment of the outstanding overdraft debt. I would take this opportunity to remind Lloyds of its obligations in treating Mr G fairly and sympathetically in any ongoing engagement and collection of any outstanding overdraft debt.

My final decision

My final decision is that I don't direct Lloyds Bank PLC to take any further action than which it has set out within its final response dated November 2025 in resolution of Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 15 April 2026.

Richard Turner
Ombudsman