

The complaint

Mr F complains that Lloyds Bank PLC (“Lloyds”) provided him with an overdraft facility, and subsequent increases, that were unaffordable.

What happened

In July 2022 Mr F applied for an overdraft facility with Lloyds. It was approved, and he was initially provided with a limit of £500. In 2023 the limit was increased on five occasions, up to £2,250. It was then reduced to £2,000 before being increased to £3,000 in August 2024.

Lloyds have informed our Service that Mr F has been gradually repaying the overdraft, and in June 2025 it was repaid in full and closed.

In late 2024 Mr F complained to Lloyds. He said the lending was irresponsible, it was unaffordable, the interest and charges were too high and he was having to use other lines of credit to avoid the interest on the overdraft. Mr F said when they allowed him to increase the limit to £3,000, he didn’t have an income.

Lloyds responded to the complaint. They didn’t uphold it. They said they’ve acted as a responsible lender and there was nothing in the way Mr F used the overdraft that would indicate to them that he was struggling financially.

Mr F referred the complaint to our Service before receiving the final response letter because it wasn’t issued within the eight weeks set by the Financial Conduct Authority (FCA). He has since seen the final response letter, and disagreed with what Lloyds said.

An Investigator here looked into things. They upheld the complaint. They said that the initial opening of the overdraft for £500 was fair – but at the point of the first review in July 2023, Lloyds ought to have stepped in to offer Mr F more support. Mr F agreed with the opinion, but Lloyds didn’t.

They said the majority of Mr F’s spending was discretionary, and he could afford the repay the overdraft within one year. Another opinion was issued, where the Investigator reiterated what she said the first time.

Lloyds still disagreed. They said they wrote out to Mr F offering support for repeat use of the overdraft, which he didn’t take. They said when the overdraft was increased to £3,000 Mr F told them it was an emergency and he repaid that amount within four months. They also said Mr F had repaid his overdraft in full, demonstrating affordability.

I previously issued a provisional decision which said the following:

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’ve reached a different outcome to that of the Investigator. I know this is likely to disappoint Mr F, so I’ll explain my reasoning in more detail below.

Account opening and limit increases

We’ve set out our general approach to complaints about unaffordable/irresponsible lending – including the key rules, guidance and good industry practice – on our website. And I’ve referred to this when considering Mr F’s complaint.

Lloyds needed to make sure that they didn't lend irresponsibly. In practice, what this means is Lloyds needed to carry out proportionate checks to be able to understand whether Mr F would be able to repay what he was being lent before providing any credit to him.

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 they gather and what they do to verify it – in the early stages of a lending relationship.

But, we might think they need to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to show they didn't continue to lend to a customer irresponsibly.

Mr F's overdraft was an open-ended (running account) agreement. In other words, while Lloyds were required to periodically review the facility, there was no fixed end date. He was expected to repay what he owed, plus the interest due, within a reasonable period of time. CONC didn't (and still doesn't) set out what a reasonable period of time was.

So, I think it's important to note that a reasonable period of time will always be dependent on the circumstances of the individual case.

The information Lloyds obtained at the time of application for the account opening suggests Mr F was earning around £1,000 a month. Taking into account Mr F's salary and the amount that was needed to be repaid should Mr F owe the full amount of £500, I think that Lloyds were entitled to conclude Mr F had sufficient funds to cover sustainable credits to his overdraft as well as whatever regular monthly living costs he had.

At the point of the increases, Mr F's declared income had increased to around £1,800. Again, this information, combined with the way Mr F's account was being managed and the data Lloyds received from the CRA's is enough to suggest that all limit increases were affordable and could be repaid in a reasonable period of time. So, I don't think Lloyds treated Mr F unfairly by opening the account or by increasing the credit limits.

Did Lloyds unfairly allow Mr F to continue using his overdraft in a way that was unsustainable or otherwise harmful for him?

Lloyds have told us they don't know why the Investigator used July 2023 as a review date and that instead of having a fixed date in mind, they continually monitor their customer's accounts. But the statements they've provided us with say 'renewal date' and July 2023 and 2024 – and given that July is also the month Mr F opened the account, I don't think it's unreasonable to rely on July as the review date. So, I've done the same.

Before I go any further, as this aspect of Mr F's complaint essentially boils down to a complaint that he was unfairly charged as a result of being allowed to continue to use his overdraft, I want to be clear in saying I haven't considered whether the various amounts charged were fair or reasonable. Ultimately, how much a bank charges for their services is a commercial decision and isn't something I will get involved with.

That said, while I'm not looking at Lloyds' charging structure per se, they won't have acted fairly and reasonably towards Mr F if they applied this interest, fees and charges to his account in circumstances where they were aware, or ought reasonably to have been aware Mr F was experiencing financial difficulty. So I've considered whether there was an instance, or there were instances where Lloyds didn't treat Mr F fairly and reasonably.

In other words, I've considered whether there were periods where Lloyds continued charging Mr F even though they ought to have instead stepped in and taken corrective measures on the overdraft because they knew, or ought to have realised, he was in financial difficulty.

Having looked through Mr F's account statements throughout the period concerned, I can't see that Lloyds ought to have realised that Mr F was experiencing financial difficulty to the

extent that it would be fair and reasonable for them to have unilaterally taken corrective measures in relation to Mr F's overdraft.

I accept that Mr F used his overdraft regularly. I accept the rules, guidance and industry codes of practice all suggest that prolonged and repeated overdraft use can sometimes be an indication of financial difficulty. However, this is not the same as saying that prolonged and repeated overdraft use by a customer will always mean that they are, as a matter of fact, in financial difficulty.

The key issue here isn't simply that Mr F was a repeat overdraft user. Lloyds aren't expected to report that they've identified a repeat overdraft user. What's important to determine is whether they were applying fees and charges that Mr F clearly couldn't afford to pay.

If Mr F was locked into paying charges in circumstances where there was no reasonable prospect of him repaying his overdraft, then his facility would've been unsustainable for him. With this in mind, it's important that I look at Mr F's overall financial position, rather than simply looking at whether he met the definition of a repeat overdraft user.

I've considered Mr F's incomings and outgoings as well as any overdrawn balances and thought about whether it was possible for him to have stopped using his overdraft, based on this. The first thing for me to say is that Mr F's account was in receipt of credits that were in excess of what was required to clear the overdraft within a reasonable period of time. I'm therefore satisfied that Mr F's case isn't one where the borrower was stuck in their overdraft in circumstances where it was clear that there was no reasonable prospect that they could exit it.

Furthermore, while I'm not seeking to make retrospective value judgements over Mr F's expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from his account. Equally, I can't see that he was borrowing from unsustainable sources in order to meet his overdraft charges or that his borrowing was increasing exponentially in order to do so either.

I accept neither of these things in themselves (or when taken together) mean that Mr F wasn't experiencing difficulty. But I don't agree that Mr F was reliant on this overdraft.

Given the repeat usage letters Mr F is likely to have been sent by Lloyds, I think that he ought to have realised that how much he was paying for this. So I simply don't agree that Mr F was using his overdraft purely for essential spending, or because he had a reliance on credit to get by.

Overall and having considered everything, I don't think that it was unreasonable for Lloyds to have proceeded adding the charges that they did. This is particularly bearing in mind the consequences of Lloyds taking corrective action would have been disproportionate. I say this because I don't think that it would have been proportionate for Lloyds to demand that Mr F immediately repay his overdraft, potentially leading to a default, in circumstances where there was a realistic prospect of Mr F clearing what he owed in a reasonable period of time, particularly given that Mr F has repaid the overdraft in full in three years.

Indeed, I think that if Lloyds had suggested that it would take such action, Mr F would have argued that it would be unfair, bearing in mind the consequences of such action, in circumstances where he could quite clearly afford to use it in the way he was.

In reaching my conclusions, I've also considered whether the lending relationship between Lloyds and Mr F might have been unfair to Mr F under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Lloyds did not lend irresponsibly when providing Mr F with the overdraft, or by increasing his credit limit. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So while it'll likely come as a disappointment to Mr F, I'm not currently minded to uphold his complaint against Lloyds for the reasons explained above.

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.

Lloyds responded agreeing with the provisional decision, but Mr F responded with some additional points for consideration.

I want to reassure while I've read and considered all the arguments he's raised, I won't be responding to them all individually.

In summary, Mr F said he repaid the overdraft only because he sold assets to do so, not because it was affordable for him. He said the overdraft caused him financial and personal detriment and the FCA doesn't require him to eliminate discretionary spending for something to be affordable.

While I appreciate his comments, I've had to look at whether Lloyds did what they needed to under the rules and guidelines they're bound by.

In the FCA's Consumer Credit Sourcebook (CONC), CONC 6.7.2R states:

1. A firm must monitor a customer's repayment record and take appropriate action where there are signs of actual or possible repayment difficulties.

Regarding overdrafts specifically, CONC 5D.2.1 says, in summary, firms must review and decide whether their customers are showing signs of actual or potential difficulties or customers who are using the overdraft persistently, but are not showing indicators of financial difficulties. It goes on to refer to CONC 1.3.1G for reference about what indicates financial difficulties.

While the list isn't exhaustive, it says:

- (1) consecutively failing to meet minimum repayments in relation to a credit card or store card;*
- (2) adverse accurate entries on a credit file, which are not in dispute;*
- (3) outstanding county court judgments for non-payment of debt;*
- (4) inability to meet repayments out of disposable income or at all, for example, where there is evidence of non-payment of essential bills (such as, utility bills), the customer having to borrow further to repay existing debts, or the customer only being able to meet repayments of debts by the disposal of assets or security;*
- (5) consecutively failing to meet repayments when due;*
- (6) agreement to a debt management plan or other debt solution;*
- (7) evidence of discussions with a firm (including a not-for-profit debt advice body) with a view to entering into a debt management plan or other debt solution or to seeking debt counselling.*

Lloyds were reaching out to Mr F intermittently to remind him of his overdraft use, but he didn't respond. I think they met their obligations under CONC and I can't see any indicators of financial difficulty on Mr F's statements.

I'm not disputing that Mr F was struggling, but I need to consider what Lloyds ought reasonably to have been aware of and what proportionate action to support him would look like, and I'm satisfied they didn't treat him unfairly when continuing to lend to Mr F.

With regards to how Mr F repaid the overdraft, I don't think Lloyds ought to have been aware of that because prior to the closure, the overdraft had been reduced over time, in a way that appeared sustainable for him. I don't think Mr F needed to eliminate discretionary spending but, I need to think about what Lloyds saw, which was he did have enough disposable to repay the overdraft over a reasonable period of time.

In reaching my conclusions, I've also considered whether the lending relationship between Mr F and Lloyds might have been unfair to Mr F under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that Lloyds did not lend irresponsibly when providing Mr F with the overdraft, or by continuing to lend to him. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So while it'll likely come as a disappointment to Mr F, I won't be upholding his complaint against Lloyds for the reasons explained above.

My final decision

It's my final decision that I do not uphold Mr F's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 23 February 2026.

Meg Raymond
Ombudsman