

## The complaint

Miss C complains that Lloyds Bank PLC lent to her irresponsibly.

## What happened

The facts of this case are familiar to both sides, so I don't intend to repeat everything in detail here. Instead, I'll provide a summary.

In December 2018, Miss C applied for an overdraft which Lloyds approved with a limit of £200. The limit was subsequently increased multiple times as follows:

Overdraft Limit Increase (OLI) Number	Date	Increase	New Credit Limit
1	19 December 2018	£100	£300
2	19 December 2018	£700	£1,000
3	12 March 2019	£500	£1,500
4	12 May 2019	£500	£2,000
5	22 May 2019	£500	£2,500
6	13 June 2019	£500	£3,000
7	21 June 2019	£500	£3,500
8	2 July 2019	£100	£3,600

As I understand it, the account was defaulted in December 2019, and the debt was then sold to a third-party in January 2020.

On 27 May 2025, Miss C complained to Lloyds about its decision to lend. In doing so, Miss C alleged (amongst other things) that Lloyds acted irresponsibly by providing the overdraft and approving a number a subsequent limit increases.

On 20 October 2025, Lloyds issued its final response letter. In doing so, it did not uphold Miss C's complaint about its decision to lend. It also found that it provided adequate support once Miss C began experiencing difficulties repaying the debt.

Unhappy with this, Miss C referred her complaint to this service.

One of our investigators looked into the complaint and, in December 2025, issued their findings with regards to our jurisdiction in this matter. The investigator said this service could only consider part of Miss C's complaint because some of it was made too late. Specifically, the investigator said this service could only consider events from 27 May 2019 onwards (i.e. OLIs 6, 7 and 8) as these took place within six years of the date she complained.

Miss C accepted this finding. Therefore, the investigator went on to consider the merits of the complaint. In January 2026, the investigator issued their opinion in which they did not uphold the complaint. In short, the investigator said that Lloyds failed to conduct reasonable and proportionate checks prior to granting OLIs 6, 7 and 8 however, had further checks been undertaken, it would not have resulted in Lloyds making a different lending decision. In

addition, the investigator was satisfied that Lloyds acted fairly when it defaulted the account and sold the debt to a third party in late 2019.

Miss C, did not agree. In doing so, Miss C raised a number of points which, whilst I've carefully considered, I will not set out in full here. But, in summary, Miss C said:

- Declared expenditure, which Lloyds relied on in its affordability assessment, did not reflect her real living costs.
- The apparent disposable income was not sustainable.
- She was experiencing significant mental health difficulties at the time which affected her ability to manage finances, assess risk, and make sustainable financial decisions. This contributed to her reliance on overdraft borrowing as a way of coping with day-to-day living.
- Heavy and persistent overdraft usage should have been a warning sign.
- Lack of adverse markers on her credit file does not equate to affordability.

As an agreement couldn't be reached, the complaint has been passed to me to decide.

Before I proceed, I will set out the scope of this decision. As I've set out above, the investigator found that part of Miss C's complaint has been made too late. And, as Miss C accepted this opinion, I need not consider it further.

Instead, I will focus on events which took place within six years of the date Miss C complained (i.e. events since 27 May 2019). In other words, I will look at OLI's 6, 7 and 8 in this 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 do not think this complaint should be upheld. I know this will be disappointing for Miss C, but I'll explain why I think it is a fair outcome in the circumstances.

But, before I do, I would like to make it clear that I'm aware 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 based my decision on the balance of probabilities.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss C's complaint.

Lloyds needed to make sure it didn't lend irresponsibly. In practice, what this means is Lloyds needed to carry out proportionate checks to be able to understand whether Miss C could afford to repay any credit it provided.

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 agreeing to increase the credit available to Miss C, 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 are not 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. I'd also expect Lloyds to think about Miss C's ability to repay the whole borrowing in a reasonable period. I've kept this in mind when considering this complaint.

#### OLIs 6-8

Noting the temporal proximity between the lending decisions, I will address them all together. Prior to agreeing to each limit increase, Miss C was asked to provide information about her employment status, income and expenditure. For each application, Miss C declared she was employed and her monthly income was £1,800. And, for each application, Miss C also declared expenditure totalling £400 (£200 towards 'Monthly Commitments' and a further £200 towards 'Monthly Rent').

By the time OLI 6 was approved Miss C's overdraft limit had been increased five times in the previous seven months and the limit had increased significantly in that time - from just £200 to £3,000. The frequency and scale of the limit increases would, in my view, warrant more searching enquiries to be made before agreeing to increase the limit further<sup>1</sup>.

In that context, it think Lloyds ought to have obtained a better understanding of Miss C's wider financial situation before agreeing to lend further.

So, I've turned to look at the account ledgers for the account in question. In this case I've focussed on a period of three months (the 'Relevant Period') leading up to the OLIs - i.e. March, April and May 2019.

During the Relevant Period, I can see Miss C was using her overdraft regularly, albeit within agreed limits. However, it does not appear Miss C was using this as her primary account. I say this because there are only sporadic receipts in from various sources – including another account held in Miss C's name - and there is only around £150 debiting the account each month in terms of committed expenditure (Direct Debits and standing orders). So, I don't think Miss C's account activity in and of itself would have given Lloyds a good understanding

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<sup>1</sup> In its final response letter, Lloyds says that it carried out credit checks prior to agreeing to lend. I can't see that we've been provided with a copy of the results of these checks. But I note Miss C does not appear to dispute that there was a lack of adverse markers present on the report. And, as I've gone on to find that Lloyds did not conduct reasonable and proportionate checks in any event, I see no reason to delay matters by exploring this further.

of her financial situation. I think it would have been reasonable for Lloyds to have dug deeper.

Miss C has kindly provided our service with bank statements for what appears to be her primary account (I'll refer to this as 'Account 2') covering the Relevant Period. So, I've looked at what these statements would have shown Lloyds had it conducted further checks. During the Relevant Period, excluding sporadic receipts, it looks like Miss C's income was around £1,812 which correlates with the declaration she made when applying for OLI's 6-8. And it looks like there was she was spending around £300 from this account each month towards committed expenditure (Direct Debits and standing orders)<sup>2</sup>. I also note there were no other obvious signs of financial hardship present on the statements such as regularly returned Direct Debits, reliance on payday lending or similar during the Relevant Period. In my view, if Lloyds had seen this information, I think it would have been satisfied that Miss C had sufficient disposable income to meet the rest of her living costs and repay the borrowing in question in a reasonable period of time

And, while I'm not seeking to make retrospective value judgements over her expenditure, there are reasonable amounts of non-contractual and discretionary transactions which could significantly reduce Miss C's overdraft.

As I've said, can see Miss C was using the overdraft attached to the account in question regularly. It could be argued that Miss C's regular use of her overdraft was, in itself, an indication that she was struggling. However, for the reasons I've explained if Lloyds had made more searching enquiries – including a review of Account 2 - I think it would have concluded (reasonably in my view) that Miss C would be able to sustainably repay the borrowing in question.

I accept this doesn't mean that Miss C didn't experience financial difficulties. Indeed, I can see the account went on to default around six months later. But there isn't sufficient evidence on the statements in themselves which ought to have alerted Lloyds to any potential financial difficulty. And the amount being credited into Account 2 each month didn't indicate that there was no reasonable prospect of her seeing a credit balance at any stage either – particularly when compared to her committed expenditure.

So, in these circumstances I don't think that it was unreasonable for Lloyds to approve OLI's 6-8 and proceed with adding the interest, fees and charges that it did.

#### Did Lloyds act unfairly in some other way?

On my reading of the complaint, Miss C is also unhappy with Lloyds' alleged "*failure to offer meaningful support*" when she experienced difficulties.

CONC sets out rules that govern treatment of customers in financial difficulty. CONC 7.3.4R says that a firm must treat customers in default or in arrears difficulties with forbearance and due consideration.

I haven't seen evidence that Miss C contacted Lloyds to explain that she was experiencing difficulty, or that she needed help in repaying her overdraft. And, bearing in mind Miss C was managing the account within agreed limits and there were no other obvious indicators of financial hardship (such as regularly returned Direct Debits or similar) I am not persuaded

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<sup>2</sup> Miss C has confirmed that she stopped paying rent in March 2019 because she moved in with family. Therefore, there are no rent payments shown on the statements for either account during the Relevant Period.

that Lloyds was on notice that Miss C was experiencing financial hardship before August 2019.

However, by August 2019, the account was consistently over the agreed limit and Miss C had ceased making regular credits into the account. It had – to all intents and purposes – become dormant with an outstanding debt. Therefore, I think Lloyds was on notice at that stage that Miss C may have been struggling. So, I think it's fair to treat the CONC provisions as a relevant consideration.

As a result of the account activity, Lloyds assigned the account to its Financial Assistance team who first wrote to Miss C on 29 August 2019. In this letter, Lloyds notified Miss C that she was over the agreed limit and what she needed to do to get things back on track. It also invited Miss C to get in touch if she would have difficulty doing so in order to “*agree an arrangement that meets [her] needs and financial circumstances*”. Further, the letter signposted Miss C to various third parties who may be able to help her. Similar letters were sent on 14 September 2019 and 17 September 2019.

Based on what I've seen, Lloyds did not receive a response to these letters. As a result, a formal demand letter was sent on 5 October 2019, followed by a pre-closure letter dated 12 November 2019. The latter required Miss C to repay the amount overlimit amount by 26 November 2019 to avoid account closure. And, as no further contact was received, Lloyds took steps to close the account which it did on 16 December 2019.

By this stage, Miss C had been over the agreed limit for around four months. And as there was no contact from Miss C – and therefore a mutually acceptable payment arrangement could not be set up – I think Lloyds acted fairly by defaulting the account at that time. After all, doing so ensured no further daily fees or interest were added to the account which had the effect of crystallising the debt.

In terms of forbearance, it's been fairly long-standing guidance<sup>3</sup> that a lender dealing with a borrower in financial difficulty should consider reducing or stopping interest and charges. Based on the information Lloyds had in its possession at this time, it's fair to say that Miss C was in such a position.

Having looked at the account statements, it appears Lloyds stopped applying any further charges to the account after it wrote to Miss C from mid-September 2019 onwards. This feels like a fair response – and in-keeping with its regulatory obligations – to Miss C's financial difficulties.

Looking at things in the round, I think Lloyds acted reasonably here. I say this because, once it became clear that no further payments were being made into the account to reduce the balance owed, it took steps to prevent ongoing financial harm to Miss C by stopping all further interest and charges (in accordance with CONC 7.3.5(1)G). It then afforded Miss C a reasonable period of time and opportunity to repay the debt (in accordance with CONC 7.3.6G) before, ultimately, defaulting the account.

In determining this matter, I've also considered whether Lloyds acted unfairly or unreasonably in some other way given what Miss C has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

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<sup>3</sup> See for example, CONC 7.3.5(1)G and paragraph 7.4 of the Office of Fair Trading (OFT) Irresponsible Lending Guidance March 2010

However, for the reasons I've already given, I don't think Lloyds lent irresponsibly to Miss C or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

With that being the case, whilst I understand this will come as a disappointment to Miss C, I do not uphold this complaint.

### **My final decision**

My final decision is that I do not uphold Miss C's complaint about Lloyds Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 22 May 2026.

Ross Phillips  
**Ombudsman**