

## Complaint

Miss C has complained about a credit card and personal loans which she says Lloyds Bank PLC (“Lloyds”) unfairly provided to her. She says the credit card and loans were unaffordable and so shouldn’t have been provided.

## Background

Lloyds provided Miss C with a credit card which had a limit of £4,000.00 in June 2019. The credit limit was never increased.

Miss C the successfully applied for two personal loans from Lloyds. Loan 1 was for £25,000.00 and provided in December 2019. This loan had an APR of 3.9% and a term of 38 months. The total amount to be repaid of £26,473.08, which included interest fees and charges of £1,473.08, was due to be repaid in 38 monthly instalments of £699.66. Miss C settled this loan early and in full with some of the proceeds from loan 2 in September 2020.

Loan 2 was for £23,007.43 and provided in September 2020. £20,007.43 of these funds went towards repaying the outstanding balance on loan 1. This loan had an APR of 3.3% and the total amount to be repaid of £23,986.20, which included interest fees and charges of £978.77, was due to be repaid in 30 monthly instalments of £799.54. This loan ran to its scheduled end date and was repaid in April 2023.

In February 2025, Miss C complained that she shouldn’t have been provided with this credit. Lloyds, didn’t uphold Miss C’s complaint. As far as it was concerned, it carried out proportionate checks which showed it that it was reasonable to lend on all three occasions. Miss C remained dissatisfied after Lloyds’ response and referred her complaint to our service.

One of our investigators reviewed what Miss C and Lloyds had told us. He didn’t think that Lloyds had done anything wrong or treated Miss C unfairly when providing Miss C with her credit card, or her loans. So he didn’t recommend that Miss C’s complaint should be upheld.

Miss C disagreed with the investigator’s conclusions and asked for an ombudsman to review her complaint.

## My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

### *Our typical approach to complaints about unaffordable and irresponsible lending*

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

Bearing in mind Miss C’s response to our investigator’s, I think that it would be helpful for me to set out that we consider what a firm did to check whether repayments to credit were

affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is a for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make any repayments. Furthermore, if we don't think that the lender did enough to establish whether the repayments to any credit were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances were we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've considered Miss C's complaint in this context.

### *The parties' submissions*

Lloyds says it approved Miss C's applications after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on credit searches it carried out. In Lloyds' view, the information it gathered showed that Miss C could afford to make the repayments she was committing to on each occasion.

On the other hand, Miss C has said that the checks carried out weren't sufficient and she couldn't afford this credit.

I've carefully thought about what Miss C and Lloyds have said.

### *Did Lloyds act fairly and reasonably when providing Miss C with her credit card?*

What's important to note is that Miss C's credit card was a revolving credit facility rather than a loan. And this means that Lloyds was required to understand whether a credit limit of £4,000.00 could be repaid within a reasonable period of time, rather than all in one go.

It's important to note that a reasonable period of time isn't defined in the rules. Although, the guidance indicates that the typical term associated with repaying a fixed-sum loan of the amount of a credit limit provides a useful yardstick. I think it's fair to say that the typical term of a loan of £4,000.00 would be around four to five years.

From the information provided, it looks like Miss C declared that she was employed and received an income of around £23,000.00 a year. I understand that Lloyds' credit check didn't show any record of Miss C having any recent previous difficulties repaying credit – such as defaulted accounts or county court judgments recorded against her.

Furthermore, I understand that the credit that Miss C did have was being managed reasonably well. In these circumstances, I don't think that Lloyds had reason to question what Miss C had declared for her income, or what she had said about her living costs at this stage.

Bearing in mind all of this and the fact that the information gathered suggested that Miss C was likely to be able to repay what she could owe (as a result of a credit limit of £4,000.00) within a reasonable period of time, I think that Lloyds' checks were reasonable and proportionate. As this is the case, I think Lloyds was entitled to provide this credit card based on the information it had.

In any event, even if I were to agree that Lloyds ought to have done more here, I don't think that it doing so would have resulted in it making a different decision on lending to Miss C. I say this because I don't think that Lloyds obtaining further information on Miss C's actual committed regular living expenses, rather than relying on her declarations, and supplementing what it knew about her credit commitments, is likely to have led it to conclude that she did not have the funds to sustainably make the repayments due.

As this is the case, I don't think that Lloyds acted unfairly in providing Miss C with her credit card.

*Did Lloyds act fairly and reasonably in providing Miss C with her loans?*

As Lloyds' provided Miss C with two loans, I've considered its checks for each of them separately.

#### *Loan 1*

Loan 1 was for £25,000.00 and provided in December 2019. The information I've been provided on this loan suggests that Miss C had to make 38 monthly payments of just under £700. From what I've seen, Lloyds appears to have simply relied on what Miss C said in relation to her income and expenditure and the fact that she didn't have any adverse credit information recorded against her.

However, Miss C was committing to making payments of just under £700 for a period of just over three years. She was also being advanced a significant amount even when her declared income is considered. Given the amount of the payment Miss C had to make and she had a credit card with Lloyds already, I would have expected Lloyds to have taken steps to understand what her monthly expenditure actually was, rather than rely on declarations of this.

As I can't see that Lloyds did obtain this information from Miss C and neither has it argued that it took any steps to cross check what Miss C had said, I'm not persuaded that the checks it carried out before providing loan 1 were reasonable and proportionate.

#### *Loan 2*

The information Lloyds has provided suggests that it carried out similar, or even the same, checks before it agreed to provide loan 2 to Miss C. I have already explained why I think that

these checks were not sufficient for loan 1. I'm also mindful that loan 2 was being provided in circumstances where Miss C was now a repeat borrower.

Indeed, Miss C was being provided with loan 2 before she'd repaid loan 1. Most of the proceeds of loan 2 were going towards settling the outstanding balance on loan 1. So I don't think that loan 1 being settled early is in itself evidence of loan 2 having been affordable. Given my conclusions on loan 1 and Miss C was now a repeat borrower, I would have expected Lloyds to have taken steps to understand what her monthly expenditure actually was, rather than rely on declarations of this, on this loan too.

As I can't see that Lloyds did obtain this information from Miss C, I'm not persuaded that the checks it carried out before providing loan 2 to Miss C were reasonable and proportionate either.

Miss C response to my assessment appears to suggest that she believes that as Lloyds' checks were defective this should be the end of the matter and her complaint about her loans should be upheld. However, while I can to some extent understand why Miss C may believe this, it is not sufficient for me to uphold Miss C's complaint simply because Lloyds should have done more.

I need to consider whether carrying out such checks would have made a difference to its decisions to accept her applications for these loans. And it is only fair and reasonable for me to uphold the complaint should I be satisfied that Lloyds doing more would have resulted in it taking different courses of action – in this instance, declining Miss C's applications for these loans.

*Would reasonable and proportionate checks have prevented Lloyds from providing these loans to Miss C?*

As Lloyds didn't carry out sufficient checks before providing these loans to Miss C, I've gone on to decide what I think Lloyds is more likely than not to have seen had it obtained the information that I think it should have gathered. As I've explained, bearing in mind the circumstances here, I would have expected Lloyds to have had a reasonable understanding about Miss C's actual regular living expenses as well as her income and existing credit commitments.

I want to be clear in saying that this isn't the same as saying that Lloyds had to review bank statements in order to verify all of this, as how it found out what I think that it needed to find out was down to it. Nonetheless, as I'm considering what proportionate checks are likely to have shown after the event, copies of bank statements have in any event been provided and they have what I now need to assess this complaint, I don't think it is unreasonable for me to have a look at them with an idea to determining what I think Lloyds finding out more about Miss C's circumstances is likely to have shown at the respective times.

I've therefore considered the bank statements provided in order to determine what I think Lloyds finding out more about Miss C's actual regular living costs are likely to have shown it. Having done so, I don't think that Lloyds attempting to find out further information about Miss C's actual regular living costs would have made a difference on either occasion.

I say this because I've not seen anything that shows me that when Miss C's committed regular living expenses, other non-discretionary expenditure and her existing credit commitments were deducted from her income she did not have the funds to make the monthly payments to these loans.

I accept that Miss C's actual circumstances may not have been fully reflected either in the information she provided, or the information Lloyds obtained. For example, I note that Miss C has said that she had been using an overdraft since she was 18 and that she didn't have enough to meet her other expenditure.

However, Miss C was provided with loans at less than 4% APR. I think it is fair to say that this was considerably cheaper than the interest rate on her overdraft. So in my view Miss C had the opportunity to use some of the funds she was advanced, on both occasions, to clear her overdraft. And it wouldn't be unfair for me to hold Lloyds responsible if she chose not to do so.

Furthermore, while Miss C has reached the view that she didn't have enough left over once the payments to these loans were deducted from his disposable income. this analysis has been carried out with the use of bank statements and this includes all of her major expenditure. So I'm not necessarily persuaded that the amount she had left means that she shouldn't have been lent to in the way she argues.

In reaching my conclusions, I've also kept in mind that Lloyds provided a second loan to Miss C and that repeat borrowing in itself can sometimes be an indication of difficulty. I've also noted that the main purpose of loan 2 was debt consolidation. The first thing for me to say is that debt consolidation is a legitimate purpose for borrowing. So I don't think that it would be fair and reasonable for me to uphold Miss C's complaint on the basis such loans don't always improve the borrower's financial position.

In any event, I also think it fair to say that consolidation loans tend to prove more problematic where multiple consolidation loans of increasing amounts are provided to the customer. Having considered the available evidence, I'm not persuaded that's what happened here. I say this because loan 2 was for a lower amount than loan 1. Equally, as I've previously set out that around £20,000.00 was going towards settling the balance that remained on loan 1.

This is particularly important as the interest rate on loan 2 was lower than it was on loan 1 which meant that Miss C wasn't being disadvantaged through this consolidation. It's also worth noting that the total period of time Miss C was due to be indebted to Lloyds for, at the time she was provided with loan 2, was just over three years.

This wasn't an extended period and Miss C wasn't going to be indebted for too much longer than she initially intended to be when she applied for loan 1. This is actually a relatively short period of time considering the amount that Miss C borrowed. I'm also mindful that while Miss C has referred to entering into a cycle of borrowing as a result of these loans, loan 2 appears to have run to the end of its scheduled term. I can't see anything to indicate that this loan was directly repaid by consolidating the balance into a further loan, whether with Lloyds or elsewhere, either.

So while Miss C being a repeat borrower here has led to me taking a closer look at the overall pattern of lending, I'm satisfied that it wasn't unfair for Lloyds to have provided loan 2 to Miss C on the basis that it ought to have realised that it was increasing Miss C's indebtedness in a way that way unsustainable or otherwise harmful.

In reaching my conclusions, I've also considered whether the lending relationships between Lloyds and Miss C might have been unfair to Miss C under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've already explained, I'm satisfied that Lloyds did not irresponsibly lend to Miss C or otherwise treat her unfairly when providing her with her credit

card and her loans. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I'm satisfied that Lloyds didn't treat Miss C unfairly or unreasonably either when providing her with her credit card or her loans. And I'm therefore not upholding Miss C's complaint. I appreciate this is likely to be very disappointing for Miss C – especially as she believes that Lloyds' failure to carry out proportionate checks means that she shouldn't have been given her loans. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 16 March 2026.

Jeshen Narayanan  
**Ombudsman**