

The complaint

Mr B complains that Lloyds Bank PLC lent to him irresponsibly.

What happened

Mr B has an overdraft with Lloyds. He opened this with a limit of £250 in January 2019. He then successfully applied to increase the credit limit at various intervals between January and April 2019. The final limit increase took the overdraft limit to £2,000 and it hasn't been increased since.

In December 2024, with the help of a representative, Mr B complained to Lloyds saying it had lent to him irresponsibly and failed to appropriately monitor his account. He said this led to him paying more than he could afford in interest, fees and charges and as a result the relationship between him and Lloyds was unfair.

Lloyds looked into Mr B's complaint and said it felt it had acted fairly in providing the overdraft limit and in renewing the overdraft at each review. Lloyds said that there was a relatively high level of discretionary spending on the account. But it didn't agree there were signs of financial difficulties, and it noted that he had sufficient income to be able to repay the overdraft if he chose to. So, Lloyds didn't uphold the complaint.

Mr B didn't accept what Lloyds said and, again with the help of a representative, referred his complaint to our service and one of our investigators looked into it. She thought Lloyds had acted unfairly. The investigator said Mr B had been using his overdraft for a prolonged period and said Lloyds should have stepped in in 2020 to remove the overdraft. Lloyds disagreed saying that because of the pandemic, it wouldn't have been appropriate to remove the overdraft and that it did offer forbearance during this time. It also pointed out that even with the pandemic and Mr B's self-employed status he still had sufficient income to be able to reduce or clear the overdraft over time had he chosen to. It also noted that he had been choosing to invest money rather than use the funds to reduce his overdraft. The investigator maintained her position.

Lloyds rejected the investigators view. As there was no agreement, the complaint has been passed to me for a 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 reached a different outcome to the investigator and issued a provisional decision saying:

"I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- *Did Lloyds carry out reasonable and proportionate checks to satisfy itself that Mr B was in a position to sustainably repay the credit?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did Lloyds make a fair lending decision?*
- *Did Lloyds act unfairly or unreasonably towards Mr B in some other way?*

Did Lloyds carry out reasonable and proportionate checks to satisfy itself that Mr B was able to sustainably repay the credit and if not, what would reasonable and proportionate checks have shown at the time?

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

Lloyds had to carry out reasonable and proportionate checks to satisfy itself that Mr B would be able to repay the credit sustainably. There is no set list of checks that it had to do, but it could take into account several different things such as the type, amount, and length of the credit, the amount of the repayments and the overall circumstances of the borrower.

Having reviewed the lending decisions between January 2019 and April 2019, I haven't seen anything that persuades me Lloyds should have known the lending would be unaffordable. Mr B had a healthy income that was paid to his account at intervals throughout the month. His essential committed expenditure was relatively low, leaving him with a significant amount of disposable income each month. Lloyds haven't provided details of what it found when it completed credit checks for each lending decision. However, Mr B has provided a copy of his credit report. Having reviewed this, I don't think there is anything there that would or should have prevented Lloyds from lending to Mr B.

Given this, I'm not satisfied on the evidence available that Lloyds created unfairness in its relationship with Mr B as a result of its decision to give him the overdraft or increase the limit to £2,000.

Did Lloyds act unfairly or unreasonably towards Mr B in some other way?

Lloyds has a responsibility to monitor its customers overdrafts. CONC 5D.2 covers a business' obligation to identify and monitor repeat use of overdrafts. It sets out that a business should identify any customers for whom there is a pattern of repeat use, as well as those who repeatedly use their overdrafts and there are also signs of actual or potential financial difficulties. There's no set timeframe for the reviews to take place, but it appears that Lloyds reviewed Mr B's account in January each year, so this is the date I'll use.

Whilst I don't think the lending decisions were unfair, Mr B used his overdraft repeatedly. Because of the way funds came into his account, although he earned enough to afford the overdraft, he rarely if ever returned to a credit position from April 2019 onwards. So, given the expectations in CONC, I would have expected Lloyds to get in touch with Mr B about his overdraft usage from at least 2020 onwards, given it's an expensive way to borrow over the longer term.

It's fair to say that Mr B used his overdraft, and I accept that Mr B would have met the criteria of someone who displayed a pattern of repeat use of their overdraft. But I think it's important to look at the overall circumstances of a customer's overdraft usage to understand their position. So, I've reviewed Mr B's account statements and considered his income and essential expenditure to understand whether it was possible for him to have stopped using his overdraft, if he had wanted to or had been asked to.

If Mr B was trapped into paying charges because there was no prospect of him repaying his overdraft, then it's likely I'd agree the lending was unsustainable for him. So, I've carefully considered whether this was the case.

For most of the relationship Mr B's monthly income exceeded the amount of his overdraft limit. However, Mr B appears to have been paid weekly, meaning that although Mr B was paid enough to clear the overdraft each month, no single salary payment cleared the overdraft facility.

That said, even though this is the case, the question here is whether Mr B's use of his overdraft was causing him to incur high cumulative charges that were harmful to him. And having considered matters, I don't think that this is the case.

I say this because there are significant amounts of non-committed, non-contractual and discretionary transactions going from Mr B's account. Indeed, it's fair to say a significant proportion of Mr B's expenditure was discretionary and the credits going into his account suggested he could have cleared his overdraft within a reasonable period of time had he wished to do so.

Equally, I can't see anything to indicate that the charges he was incurring for what was on the whole discretionary spending was causing him harm. For example, I can't see that he was borrowing from unsustainable sources in order to meet the charges or that his borrowing was increasing exponentially.

I accept that this alone doesn't necessarily mean that Mr B wasn't experiencing difficulty. But looking at the picture across this account and the other accounts he had with Lloyds it appears he was quite comfortably able to meet his committed and essential expenditure from his wages. Indeed, there are times when Mr B has significant sums in savings in other accounts or chose to invest his capital rather than repay his overdraft. So, it seems he was choosing to use his overdraft to make discretionary transactions rather than it being the case that he was reliant on it and stuck in a cycle of charges.

During the pandemic Lloyds provided support to Mr B by reducing the amount of interest he had to pay on his overdraft and providing details on how to get further support if it was needed. However, it appears that through this period Mr B still had a healthy income by way of wages and benefits that meant he could still meet his essential expenses and be left with a disposable income that would have allowed him to reduce or clear the overdraft balance had he chosen to.

Mr B's income remained relatively healthy until around 2023 when he appears to stop work and the only income from that point is from benefits. However, based on what I can see of Mr B's expenditure, he was still able to cover his essential expenses. He was also left with a reasonable amount of disposable income that would have allowed him to repay the overdraft over a reasonable period of time.

Mr B has said he was a frequent gambler, and I can see he did spend funds on this from his statements. However, having carefully considered the spending on the account, I'm not satisfied that Lloyds should have identified this as a concern at the reviews. I also haven't seen anything to suggest Mr B contacted Lloyds to let it know this was something he required help with.

As I've already said I think it's fair to say Mr B persistently used his overdraft. However, I can see that Lloyds wrote to Mr B in 2020, 2021, 2022 and 2023. It noted in 2024 that Mr B had been using the overdraft for a long time and that he was no longer funding the account in the

same way. So, it wrote to Mr B about his overdraft in September 2024. In this letter it explained it would reduce the interest paid on overdrawn balances for six months and that it had put in place an overdraft reduction plan during that time to bring down Mr Bs overall balance. It asked Mr B to continue reducing the overdraft himself after this time. But it's unclear whether Mr B has continued with this or contacted Lloyds to discuss an alternative.

Given the lack of clear financial difficulties and the availability of a reasonably healthy disposable income for the majority of the time, I think it was reasonable for Lloyds to write to Mr B about his overdraft usage. But there was no regulatory obligation on Lloyds to do more than this (such as removing or reducing the overdraft). However, I think it was reasonable for Lloyds to have identified issues in 2024, and I think the action it took as first steps to bring the overdraft usage down were fair. So, I don't think Lloyds acted unfairly by not taking more significant action than this prior to the complaint being raised. However, I would remind Lloyds of its obligation to treat customers who may be experiencing financial difficulties fairly and I would also encourage Mr B to discuss his circumstances with Lloyds if he believes he is now no longer able to repay the overdraft.

In summary and based on the available evidence, I'm not satisfied that Mr B's relationship with Lloyds was unfair. It's not clear enough to me that Lloyds created unfairness in its relationship with Mr B by lending to him irresponsibly or failing to take the appropriate action when the account was reviewed.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lloyds lent irresponsibly to Mr B or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here."

Lloyds responded accepting my provisional decision, but no response was received from Mr B or his representative. Given this, I see no reason to depart from the findings in my provisional decision.

My final decision

My final decision is that I don't uphold this complaint about Lloyds Bank PLC for the reasons I've set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 March 2026.

Charlotte Roberts
Ombudsman