

## **The complaint**

Miss S complains that Lloyds Bank PLC (“Lloyds”) acted irresponsibly when it approved and then subsequently increased her overdraft limit when she was struggling financially.

## **What happened**

The details of this complaint are well-known to both parties, so I won’t repeat them again here. The facts aren’t in dispute, so I’ll focus on giving the reasons for my 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 can confirm that I’ve come to the same overall conclusion as the investigator and for broadly the same reasons.

I’m aware that 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 to base my decision on the balance of probabilities.

*Did Lloyds conduct proportionate checks and make fair lending decisions when granting and increasing Miss S’s overdraft facility?*

Having looked at everything that both Lloyds and Miss S have provided, including the additional comments from both after our investigator issued his view, I agree with our investigator that the initial lending decision and subsequent increases were fair and that the checks that Lloyds conducted at each juncture were proportionate.

I note that Miss S has subsequently explained that at the time of the last credit limit increase in July 2021, she declared a monthly net income of £2,700 to Lloyds. I accept Miss S appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Lloyds obtained.

However, Lloyds didn’t just accept what Miss S said. Lloyds used national statistical data to check and then decrease the income to around £1,800 which I consider is a more realistic figure and which Miss S has suggested was the case. And with this adjustment, this still

meant that Miss S still had a sufficient enough disposable income each month in which to afford the facility.

Given the comments Miss S made after our investigator issued his view, I appreciate that Miss S maybe disappointed with me not finding in her favour regarding this aspect of her complaint. However, I can only uphold a complaint in circumstances where I consider a lender did something wrong. Given the amount of disposable income that appeared to be left each month and the lack of other obvious indicators of an inability to repay the facility in a reasonable period of time, I'm satisfied that Lloyds made fair lending decisions.

I will now go on to consider if Lloyds acted fairly in allowing Miss S to continue using her overdraft facility following the last credit limit increase.

*Did Lloyds monitor Miss S's repeated use of her overdraft?*

The regulations put the onus on lenders that an overdraft isn't generally suitable for long term use. So as well as needing to act responsibly when it took the decision to grant the overdraft – ensuring that the overdraft was sustainably affordable without the need for Miss S to borrow more – Lloyds also needed to monitor and review her overdraft usage. And where it identified a pattern of repeat usage, as with Miss S's account, it needed to take steps to try and reduce it. And on balance, I'm not satisfied that Lloyds did this when it sent her repeat usage letters but failed to take a more proactive approach.

Lloyds identified Miss S as a repeat user when it sent her repeat user letters to her from February 2021 onwards. These letters highlighted the cost of using her overdraft repeatedly and made Miss S aware of support options if she was struggling.

From the statements provided I can see that from around July 2022, Miss S was in the main, constantly at the upper levels of the agreed limit and at times also exceeded it. And from the credit report Miss S kindly provided us, I can see that she was in arrears by two months payments on one of her credit debts in 2022 and then three months in arrears on the same account in 2023. And on a separate credit card account, Miss S was four months in arrears in 2023 and two months in arrears on a further credit agreement.

The regulations that cover overdrafts also make a distinct difference to the options a business has to consider between consumers that are repeat users of the overdraft AND show signs of financial difficulty, and those that don't. And although it's clear that Miss S was a repeat user, Lloyds considers that there wasn't any obvious evidence of financial difficulty. But I disagree.

Although there may not have been any obvious evidence from Miss S's credit file that Miss S may be in financial difficulty, I think a closer inspection of it given the accounts that were in arrears and looking at her current account statements and how Miss S was managing her overdraft, this tells a different story. By July 2023, Miss S was in the main constantly overdrawn, nearing the arranged limit and at times exceeding this as she did in June 2023. As overdrafts are meant to be for short term borrowing, I don't think Miss S was managing this credit as intended and was over reliant on the facility. This hardcore borrowing, which resulted in additional interest, fees and charges was contributing to Miss S being in a cycle of debt.

The letters Lloyds sent to Miss S invited her to speak if she had any questions or concerns. Because Miss S didn't phone the bank after receiving the letters Lloyds doesn't think it did anything wrong as it believes the onus was on Miss S to contact it. I disagree. In the first instance, I don't think a letter that highlights the cost of the facility is the same thing as something which indicates the business needs to consider further options due to potential

over reliance on the facility. And I think Lloyds should have been in contact with Miss S about removing the facility, or at the very least reducing it to a more manageable limit. So I think Lloyds should have taken a more proactive approach.

So I don't think Lloyds acted fairly when it failed to take further appropriate action to reach out to Miss S at the time of the annual review in July 2023. I appreciate that Miss S has said she doesn't consider it's appropriate to anchor redress to an assumed review cycle. And Lloyds have confirmed it doesn't conduct annual reviews but constantly monitors consumers accounts. However, in the interest of fairness to both parties, on balance, I think by July 2023, Lloyds should have taken a more proactive approach and stepped in.

*Did Lloyds act unfairly in any other way?*

I've also considered whether Lloyds have acted unfairly or unreasonably in any other way and if an unfair relationship existed between Lloyds and Miss S, as defined by section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I've directed above results in fair compensation for Miss S in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **Putting things right**

Lloyds should:

- Re-work Miss S's current overdraft balance so that any additional interest, fees and charges applied from July 2023 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Lloyds should contact Miss S to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Miss S's credit file, it should backdate this to July 2023.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Miss S, along with 8% simple interest (yearly) on the overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding balance remains after all adjustments have been made, then Lloyds should remove any adverse information from Miss S's credit file.\*

\*HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Miss S a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

My final decision is that I uphold this complaint. Lloyds Bank PLC should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 30 March 2026.

Paul Hamber  
**Ombudsman**