

The complaint

Mr N complains that Lloyds Bank PLC lent irresponsibly when it approved his loan application.

What happened

On 15 October 2022 Mr N applied for a loan of £2,100 with Lloyds. In his application, Mr N said he was employed and gave a net monthly income of £2,108. Mr N also said he was paying £100 a month in rent.

Lloyds completed a credit search and found no adverse information or other debts. An affordability assessment used Mr N's income of £2,108 a month, rent of £100 plus a buffer of £50 and an estimate of his general living expenses of £481. Lloyds says that left Mr N with a disposable income of £1,477 a month. Lloyds approved Mr N's application and issued the loan funds to Mr N with monthly repayments of £71.15.

No loan payments were successfully made and the account was ultimately terminated by Lloyds. More recently, Mr N complained that Lloyds lent irresponsibly and it issued a final response. Lloyds said it had completed the relevant lending checks before approving Mr N's application and didn't agree it lent irresponsibly.

An investigator at this service thought Lloyds completed proportionate checks before agreeing to lend and that its decision to do so was reasonable based on the information it obtained. The investigator wasn't persuaded Lloyds lent irresponsibly and didn't uphold Mr N's complaint.

Mr N asked to appeal so his complaint has been passed to me to make 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.

I'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under.

Before agreeing to lend, the rules say Lloyds had to complete reasonable and proportionate checks to ensure Mr N could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;

- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

Lloyds has provided evidence that shows it used a service provided by the credit reference agencies to help verify the income figure of £2,108 a month Mr N gave in his application. I can confirm the application form provided shows Mr N gave that figure as his monthly income. I understand Mr N was in receipt of Universal Credit and Personal Independence Payments at the time of his application which were being paid into his Lloyds account. But checking guidance, I can see that both those benefits can be paid in addition to an employed income. So whilst I note Mr N's comments, I think the fact Mr N's income level was verified via a third party service means it was reasonable for Lloyds to use a figure of £2,108 a month when considering Mr N's application.

A credit search was completed and found no evidence of any adverse credit or recent missed payments. No outstanding debts were recorded. In my view, the credit file information indicated Mr N was in a stable financial situation at the point of application. I haven't seen anything that I would've expected Lloyds to have identified as a sign Mr N was struggling or vulnerable.

Lloyds completed an affordability assessment using Mr N's net monthly income of £2,108 and deductions of £100 for his rent (as per the application form), a £50 housing buffer and an estimate of £481 for his general living expenses. The relevant lending rules allow lenders to use reasonable estimates for a borrower's outgoings. I haven't seen anything in the information Lloyds obtained that indicates the use of an estimate wasn't appropriate in the circumstances of Mr N's application.

Lloyds reached the view Mr N had a disposable income of £1,477 a month after his existing outgoings were met. I think that was a reasonable conclusion following proportionate checks by Lloyds. Mr N's application advised he was employed and the income figure provided was verified. Mr N's outgoings for rent appeared low and a reasonable estimate of his general living expenses was used. Mr N's credit file showed no other outstanding debts and no adverse information or recent missed payments. I also think it's fair to say the loan payments of £71.15 were reasonably modest when compared against the verified income figure Mr N gave and the disposable income Lloyds calculated. I'm satisfied that the information Lloyds obtained showed Mr N was able to sustainably afford repayments of £71.15 a month. I'm very sorry to disappoint Mr N but I haven't been persuaded Lloyds lent irresponsibly when it approved his loan application.

I understand Mr N was suffering with serious mental health difficulties and a recent bereavement when his application was made. I'd like to thank Mr N for sharing those details with us and don't doubt what he's told us. I need to consider whether Mr N's vulnerabilities would've been apparent to Lloyds based on the information it obtained. But, as noted above, I think Mr N's application indicated in was in a stable financial position and was able to afford the new loan payments in addition to his other outgoings. I'm sorry to disappoint Mr N but I haven't been persuaded Lloyds failed to pick up on signs he was vulnerable when his application was made.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974 which says a court may make an order under Section 140 if it determines a relationship between the creditor and the debtor is unfair. The consumer is the debtor and Section 140 defines the creditor as "the person to whom his rights and duties under the agreement have passed by assignment or operation of law."

Where a debt has been sold, (as it has in this case) it follows that the debt purchaser is now the creditor for the purpose of the credit agreement. So a claim about an unfair relationship can't be brought by the consumer against the original lender as they are no longer the creditor.

My final decision

My decision is that I don't uphold Mr N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 19 May 2026.

Marco Manente
Ombudsman