

## **The complaint**

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

## **What happened**

Mr C was approved for a Lloyds credit card in June 2022, with a £3,100 credit limit. Mr C says that Lloyds irresponsibly lent to him. Mr C made a complaint to Lloyds who did not uphold his complaint. Lloyds said that they were unable to agree the lending was irresponsible. Mr C brought his complaint to our service.

Our investigator did not uphold Mr C's complaint. She said that Lloyds' checks were proportionate, and they made a fair lending decision. Mr C asked for an ombudsman to review his complaint. He made a number of points. In summary, he said that the income and housing figures did not accurately reflect his true financial position at the time, his effective disposable income was reduced to due to benefits in kind, and he already had a number of active unsecured credit agreements.

Mr C said insufficient weight had been given to his subsequent account behaviour which included frequent cash withdrawals, persistent minimum repayments and his contact with Lloyds when the account was restricted, which were clear indicators of financial difficulty. Mr C said the level of existing unsecured credit commitments already visible on his credit file was significant and should have prompted greater scrutiny of the sustainability of further borrowing.

## **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.

Before agreeing to approve the credit available to Mr C, Lloyds needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no 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've listed below what checks Lloyds have done and whether I'm persuaded these checks were proportionate.

I've looked at what checks Lloyds said they did when initially approving Mr C's application for the credit card. The CRA reported that Mr C had no defaulted accounts, no County Court Judgements (CCJs), no accounts in arrears at the time of the checks, and no accounts in arrears for the six months prior to the checks.

Mr C declared he was employed, declaring a gross annual income of £39,000. I've considered what Mr C has said about Lloyds not verifying this income. But Lloyds do not have to speak to Mr C to make further checks. I say this because a Credit Reference Agency (CRA), were able to verify the income using Current Account Turnover (CATO), which is an industry standard way of verifying income without having to contact a potential borrower.

So Lloyds did not just take Mr C's word for his income, they made a further check, and the results of the check supported what Mr C has told them. Lloyds calculated the net income to be £2,488 a month.

Mr C told Lloyds his housing costs were for £350 a month, and he didn't declare any other outgoings. But Lloyds did not just take Mr C's word for this, as they also used modelling, which is an industry standard way of estimating his essential living costs. And the CRA told them how much he was paying towards his monthly credit commitments. So, although Mr C may have had a number of other credit agreements at the time he applied for this account, Lloyds were aware how much the monthly credit commitments were.

If Lloyds would have taken Mr C's word for how much his expenditure was each month, then they would only have £350 of expenditure for him. But as the modelled expenditure, and the CRA information showed higher outgoings, then Lloyds took the higher figures as part of the affordability assessment.

I'm persuaded that no further checks were needed here, such as viewing Mr C's bank statements. Mr C already had the opportunity to declare higher outgoings than the £350 a month he declared, therefore, Lloyds undertook a further check to see if modelling would show higher outgoings – which they did. But even with the higher outgoings, the disposable monthly income that was showing for Mr C shows that repayments should be sustainable and affordable for a £3,100 credit limit, without relying on further borrowing to repay this in a sustainable amount of time.

In addition to this, it appeared that Mr C wanted to complete a balance transfer on a promotional interest rate, so it would be reasonable to expect this would save Mr C interest (albeit I note that he didn't actually go ahead with a balance transfer when the account was opened, but Lloyds wouldn't know this at the time of application). The credit limit was around 7.9% of Mr C's declared gross annual income.

So in the absence of any adverse information on Mr C's credit file, and the disposable income showing after the affordability assessment, then I'm not persuaded it would have been proportionate for Lloyds to have contacted Mr C directly to ask him details about his income and outgoings, or to request evidence of this from something like a bank statement, as this wouldn't be proportionate in the circumstances here. So I am persuaded that Lloyds' checks were proportionate here, and they made a fair lending decision.

I've considered what Mr C has said about insufficient weight had been given to his subsequent account behaviour, however, this would not have been foreseeable to Lloyds based on what the original lending checks showed with no adverse information and a healthy disposable income. I'm sorry to hear that the account later was passed to a debt management company, however, I can't fairly say - for the reasons I've already given, that this would have been foreseeable to Lloyds when they approved his account and gave him a £3,100 credit limit.

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 can't conclude that Lloyds lent irresponsibly to Mr C or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 7 May 2026.

Gregory Sloanes  
**Ombudsman**