

complaint

Mr C complains that Lloyds Bank PLC was irresponsible in their lending decisions when they agreed to offer him continual loans despite his other borrowing.

background

Mr C held a current account with Lloyds since 2006. In 2011, he successfully applied for an overdraft. In January 2014, Mr C also applied for a credit card.

In March 2014, Mr C applied for a loan of £5,500. He repaid this in full in November 2014.

Mr C then applied for another loan in January 2016 for £25,000. He applied for this loan in branch and Lloyds referred his application requiring some further details. Mr C didn't progress any further with this application.

In March 2016, Mr C applied for a loan online which was automatically approved. A few months later in August 2016, Mr C successfully applied for a loan of around £15,400. In April 2017, Mr C applied for a further loan of around £22,000. This was used to refinance all of Mr C's existing borrowing, including his loans, overdraft and credit card and it held a lower interest rate to his previous loans.

In December 2017, Mr C complained to Lloyds about the loans – and in particular, the most recent loan for around £22,000. He said all of the loans held a high interest rate which showed he was high risk. And Lloyds should have been aware of his other borrowing, including to payday lenders. Mr C said he was also gambling excessively and Lloyds should have been able to see that from his statements.

Mr C told Lloyds that at the time he was relying heavily on short term loans and he got into a spiral of debt.

Lloyds didn't uphold Mr C's complaint. They said they assessed Mr C's applications using the credit policy in place at the time. And as the most recent loan, from April 2017, refinanced a lot of Mr C's existing borrowing and he hadn't declared any changes to his financial situation, they were satisfied it was affordable.

Mr C then brought his complaint to this service. The adjudicator who looked at Mr C's complaint didn't think Lloyds had lent irresponsibly. In summary, she said that Mr C had always repaid his loans on time, and didn't declare any financial difficulty or gambling habits to Lloyds. And she was satisfied Lloyds had followed their lending policy.

Mr C remained unhappy. He said that although he repaid each loan every time he borrowed again, he was still increasing his overall debt. And he thought Lloyds should have been aware of his other financial situations (such as the short term loans and gambling) because they had access to his statements.

As an agreement couldn't be reached, the complaint has been passed to me to review.

my findings

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 agree the complaint

shouldn't be upheld. I know this will come as a great disappointment to Mr C so I've explained my reasons further below. I appreciate Mr C's comments about some of his other complaints which have been upheld, but I'm only considering the circumstances of this complaint.

Before lending to a customer, we expect businesses to perform some checks to ensure that the money can be repaid. We, as a service, do not set which checks need to be carried out – this is for a lender to decide. But we do expect them to be able to show that they carried out reasonable checks.

When Lloyds made the lending decisions for Mr C, I can see that they assessed his application with the credit policy they had in place at the time. And it was automatically accepted. While I can't comment on the individual factors of Lloyds lending criteria, I'm satisfied, based on what I've seen, that they did carry out proportionate checks. And nothing in those checks suggested to Lloyds that Mr C's borrowing was unaffordable.

I appreciate Mr C says Lloyds should have looked further into his spending habits, but I don't think was necessary. I say that because, Mr C's application showed he had disposable income, after the loan payments had been taken. And it's up to Mr C what he spends his money on. So although I appreciate there was evidence of excessive gambling on his Lloyds account, this didn't solely indicate any financial difficulties. And Mr C didn't declare he was experiencing financial difficulties to Lloyds either. Banks are required to deal positively and sympathetically with customers in financial difficulty – but customers need to tell them if they're struggling.

In Mr C's particular case, he had held a current account since 2006 – and generally speaking, the account was well managed.

I've thought about what Mr C has said about his previous reliance on payday loans. But I don't think it's reasonable to suggest Lloyds would decline him on this basis alone. I've reviewed Mr C's credit file, and it doesn't show he had any adverse markers at the time Lloyds approved the loan. So while I appreciate Mr C's use of payday loans could have been an indication of financial struggles, it's not the only indication. Mr C successfully paid off the short term loans and kept up to date with his other financial commitments. This demonstrates Mr C is a reliable borrower, and therefore would likely increase his likelihood of being accepted for borrowing in the future.

Mr C wants to know why Lloyds previously declined a loan application for him. But I haven't seen they did so. I'm aware a previous loan application, which Mr C made in branch, was referred. That was so Lloyds could find out more about the loan purpose amongst other things. I haven't seen anything to suggest Mr C tried to continue with this loan application and therefore I can't reasonably comment on it as Lloyds didn't assess the application fully.

Overall, I'm satisfied Lloyds carried out proportionate checks when deciding whether to loan to Mr C. And while I appreciate this will come as a great disappointment to him, I can't fairly say Lloyds lent irresponsibly when approving Mr C's loan applications. So I won't be asking them to do anything further.

Since making his complaint, Mr C has declared his financial difficulties. As the recent loan is still outstanding, I'm pleased to see Lloyds have given Mr C details of the relevant team who will be able to discuss his financial situation with him. I would encourage Mr C to make contact with the relevant team if he hasn't done so already.

my final decision

My final decision is that I don't 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 28 February 2019.

Hayley West
ombudsman