complaint

Mrs D complains Lloyds Bank PLC
1. was irresponsible to lend to her and exaggerated her income;
2. gave her poor advice about restructuring existing debts; and
3. didn't assess properly whether she could afford repayments.

background

In 2005 Lloyds provided Mrs D with a loan for a five figure amount, a credit card with a four figure limit and agreed to extend her overdraft. Mrs D didn't make all of the repayments on the accounts and they were passed to collections in 2006. She says she couldn't afford the borrowing. And wouldn't have agreed to it if she had known the payment protection insurance (PPI) she took out wasn't effective. Mrs D considers Lloyds should have provided better advice.

Lloyds says Mrs D wanted to refinance some non-Lloyds debts on more affordable terms. And it assessed her financial situation properly - based on income and expenditure information from her existing accounts. And the bank considers it helped Mrs D restructure some of her existing debts - reducing her monthly outgoings by £100. Lloyds accepts it took too long to deal with the complaint and has paid Mrs D £75 compensation for delay.

Our adjudicator didn't recommend the complaint should be upheld. She says Lloyds assessed affordability properly based on Mrs D's management of her existing accounts. And Mrs D benefitted from the borrowing - as it enabled her to reduce her monthly commitments and repay other debt. She considers the failure of Mrs D's PPI claim doesn't mean the lending was unaffordable.

Mrs D disagrees. She would like Lloyds to write off the outstanding debt.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

I can see Mrs D has experienced a great many personal and financial difficulties. I have taken into account all she has said. And I hope she will understand that's it's not practical for me to do more than summarise what happened here.

Income
Mrs D started a new business in 2004. And she says Lloyds over-estimated the income from this when it agreed to lend. I have reviewed Mrs D's Lloyds' current account statements. They show an income of approximately £31,000 in 2004. Mrs D told the bank she received approximately £12,000 from pensions and other sources. So I don't consider it unreasonable that the bank's representative estimated £18,000 income from her business.

I'm satisfied Mrs D had the option to disagree with the bank's estimate, but she didn't. I appreciate she says this was because she thought the bank knew more about estimating business income than she did. But her business had been operating for some months. So, if the estimate was unrealistic, I'm not persuaded that it was unreasonable of Lloyds to expect Mrs D to say so.

Re-structure of existing debts
Mrs D says she expected Lloyds to advise on how best to manage her existing debts. And the bank says it provided a loan which was more affordable. Because it allowed Mrs D to replace three existing non Lloyds credit card debts costing £486.87 a month with loan repayments of £394 a month. But Mrs D says this ignored her other monthly minimum repayments.

On balance, I'm satisfied the Lloyds loan wasn't intended to consolidate all of Mrs D's debts. So I'm not persuaded it was unreasonable for the bank to compare repayments in this way.

And I consider the Lloyds loan allowed Mrs D flexibility to repay three existing debts over a longer time and at a lower interest rate. And if she had used the loan to repay all three existing credit card debts her monthly minimum repayment would have been reduced by £100.

Affordability
Mrs D says Lloyds encouraged her to borrow money she couldn't afford to repay. And she wouldn't have borrowed it if she had known she wasn't covered under the PPI policy she took out at the same time. Mrs D's separate complaint about PPI has already been resolved. And I agree with our adjudicator that the absence of PPI cover doesn't mean Mrs D couldn't afford the borrowing at the time.

It would have been helpful if Lloyds could have provided more details of how it assessed Mrs D's finances in 2005. But banks aren't required to keep records for more than six years. So given the passage of time since, I can't fairly criticise Lloyds for that.

Lloyds has provided some evidence that it assessed Mrs D's income and expenditure in accordance with its usual criteria. Mrs D says the bank couldn't have done so properly - because she wasn't asked for details of all of her existing debts. But I consider it's likely the bank would have obtained information from credit reference agencies. And I'm satisfied it's not unreasonable for Lloyds to have done so.

On balance, I consider it more likely than not Lloyds assessed Mrs D's finances in accordance with its usual procedures and she met the relevant criteria for the borrowing. I appreciate Mrs D didn't maintain repayments for more than 12 months. But for the reasons given, I'm not persuaded the lending was unaffordable at the time Lloyds agreed to it. And I can't reasonably find the bank should have known Mrs D would later suffer personal, health and financial difficulties and that her business wouldn't succeed.

Mrs D has my sympathy for the situation she finds herself in now. But I must look at the circumstances in 2005 when the lending was agreed. I realise this will disappoint Mrs D, but I'm not persuaded Lloyds has acted irresponsibly. And she has had the benefit of the borrowing. So I don't consider it fair to require the bank to write off her debts.

my final decision

My decision is that I do not uphold this complaint.

Claire Jackson
ombudsman