

## **complaint**

Mr H complains that Lloyds TSB Bank Plc PLC lent irresponsibly to him after he informed the bank of his gambling problem.

## **background**

The circumstances leading to this complaint were set out in my provisional decision dated 8 October 2013, a copy of which is attached and forms part of my final decision. I was minded to uphold the complaint because the bank has accepted that Mr H told it about his problem and said he wanted to avoid further borrowing. The bank's subsequent lending was, in my view, irresponsible. I proposed that half the debt should be written off.

I invited the parties to provide me with any further submissions they wished to make in response to my findings.

Lloyds said it would accept the provisional decision. It made some additional comments:

- The bank had no record that Mr H had put it on notice of his gambling. Lloyds had accepted his version of events because it believed it was appropriate to do so.
- Ultimately it is not for a bank to tell a customer how to spend their money. It was Mr H's choice to use the funds to gamble. It was also his choice to apply for the overdraft and loan online, rather than discuss his finances with a staff member.

Mr H said he thought the provisional decision was fair, but he raised these points about the size of the debt reduction:

- He had made four loan repayments which should be taken into consideration.
- Interest and charges were applied to the accounts while the complaint was being considered.
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## **my findings**

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

Lloyds is correct that it has no record of Mr H telling it about his gambling problem. I agree with the bank that in the circumstances it was appropriate to accept his version of the conversation in the branch. The bank has been helpful in accepting this, and I have taken it as the starting point of my decision.

I also agree with Lloyds that normally it is not for banks to tell customers how to spend their money, and that spending on gambling is both legitimate and a matter of choice. But where the customer has told the bank that he has a compulsion and wants help in limiting the funds available to gamble, I would expect the bank to treat him differently. That is why I concluded that the further lending was irresponsible.

Turning to Mr H's first point, I note that the repayments he made on his loan came mostly from the overdraft on his current account, which means that they simply moved his debt from one account to another. The effect of the repayments on his total debt was therefore neutral – as the loan balance fell, the overdraft increased. So there is no need to make any extra allowance for these repayments.

I can see that the bank has continued to add interest and charges to Mr H's accounts, even after the offer of an interest-free loan in May this year. I can also see that Mr H has made further spending from the overdrawn current account, and money has been paid in. In my provisional decision I based the redress calculation on the debt at the time of the bank's offer and I still believe it is correct to do so. But I have made adjustments to the calculation in order to remove charges and interest since then, and to ensure Mr H is not unfairly rewarded or penalised for spending or income on the current account.

For the reasons given above I do not depart from my provisional decision except to make adjustments for account activity since May 2013.

### **my final decision**

My final decision is that I uphold this complaint, and require Lloyds TSB Bank PlcPLC to reduce Mr H's current total debt to the bank as follows:

- It should subtract £3,334.44 from the debt (half of £6,668.88 total debt set out in the bank's letter of 8 May 2013).
- It should subtract all the interest and charges applied to the credit card, loan and current accounts since 8 May 2013.

I also require the bank to charge no further interest on the debt.

Colin Brown  
**ombudsman**

**COPY****PROVISIONAL DECISION****date of decision:**

8 October 2013

I have carefully considered the relevant information about this complaint.

Subject to any further comments and evidence that I receive by 8 November 2013, I intend to issue a final decision along the following lines.

**complaint**

Mr H complains that Lloyds TSB Bank Plc PLC lent irresponsibly to him after he informed the bank of his gambling problem.

**background**

Mr H said that in December 2012 he went into a branch and explained that he had a gambling addiction and wanted to avoid further borrowing. He said the bank representative would make notes of this on his file and the bank would apply a 'strict limit' to his accounts.

Two weeks later the bank called Mr H to offer him a credit card. He took up the offer, with a credit limit of £1,750. He also applied online for a £2,000 personal loan, which the bank agreed to. His overdraft was allowed to increase to £3,000.

In May 2013 Mr H complained to the bank saying that the lending was irresponsible. In response, Lloyds said that there were no notes on his file about his gambling problem or a strict limit, but it did not disbelieve Mr H's recollection of events. It then blocked his debit and credit card and placed a strict limit on his file, along with a note about the gambling problem. To put things right it offered to consolidate the borrowing into a single loan of about £6,700 and make it interest-free.

Mr H was unhappy with the bank's offer and referred his complaint to this service. The adjudicator felt that the bank's offer was fair and reasonable. He said that although Lloyds acknowledged that it is likely that it agreed to make a note of his problem and put a strict limit on his accounts, it would not be fair to order the bank to write off the debt. This was because Mr H ultimately had been able to use the money he borrowed.

Mr H did not agree with the adjudicator's conclusions. He said that it should not be acceptable for the bank to benefit financially from offering credit to a customer shortly after he had advised it of a gambling problem.

**my provisional findings**

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

Lloyds has accepted that Mr H went to the branch to discuss his gambling problem and asked the bank not to make any more lending available to him. This event has to be the starting point for my decision.

In seeking the bank's cooperation, Mr H took a positive step to control his habit. I would not expect the bank to refuse him all credit from then on, irrespective of the circumstances at the time of the application, but I would expect it to review any credit application carefully and with his earlier request in mind. And I would not expect it to make any unsolicited offer of credit.

What actually happened was just the opposite – Lloyds promptly offered him a new credit card and agreed to a loan, then increased his overdraft, without any discussion of his gambling habit.

I agree with the adjudicator that there is no obligation on a bank to scrutinise a customer's legitimate spending or to take a view on whether it is personally or socially harmful – this applies to gambling as much as it does to, say, spending on alcohol or tobacco. So in Mr H's case, I do not believe that the bank should have blocked Mr H's spending on gambling. But it should not have lent him further money after he made it aware of his desire to control his habit by cutting off his source of funds from the bank.

I therefore have to conclude that the bank's lending was irresponsible in the circumstances. I am not saying that the bank deliberately exploited Mr H's habit. Rather, it seems that there was a serious error – the bank failed to record his request for his lending to be curtailed. The result was that Mr H did what he had predicted and gambled the money away.

Lloyds has offered an interest-free consolidation loan to resolve the complaint, but I do not think this is enough. Although Mr H did receive the proceeds of the lending and spent them himself, I do not believe I could say he got any benefit from the gambling. The money was quickly gone, leaving him nothing but the debt. In these circumstances, I think the bank should reduce the debt.

I do not think the bank should write off all of the debt, for a number of reasons. First, some of the lending was used to pay off Mr H's existing overdraft of about £1,400. I do not consider that to be new lending. Secondly, it is clear from the credit card statement that some of the lending was not spent on gambling – the card was also used for retail spending. I believe Mr H did receive the benefit of those funds.

Thirdly, I believe that Mr H would have gambled some of the money even if the bank had denied him credit. I note that he borrowed from other sources during the period in question – from payday lenders – and I believe that in the absence of the bank lending it is likely that he would have got more in this way. Lastly, I think some responsibility must rest with Mr H. I recognise that he has a gambling compulsion, but I do not think it unreasonable to expect him to have taken some further action to restrict the supply of credit from the bank – as he had done before, when he visited the branch in December. For example, he could have used the loan to pay off the credit card then closed the card account. In my view, it would not be fair to say that everything was the bank's fault.

Taking into account all factors I have discussed above, I am minded to order Lloyds to reduce Mr H's debt to the bank by a half, as well as giving him an interest-free loan as a vehicle to pay it off as already proposed.

**my provisional decision**

My provisional decision is that I am minded to uphold this complaint, and to order Lloyds TSB Bank PlcPLC to reduce Mr H's debt to the bank to half its present level, and to charge no further interest on that debt.

Colin Brown  
**ombudsman**