

complaint

Mr B has complained Lloyds Bank plc lent to him irresponsibly when he wouldn't be able to afford to repay. He was given two loans and was allowed to continue to spend on his credit cards as well.

background

Mr B has suffered a serious illness. Mrs B, his wife, applied to the Court of Protection to be appointed as his Deputy in 2015. After reviewing his finances and paying off an overdraft on the current account, she complained to Lloyds Bank. She'd seen her husband had been given two loans. One was for £18,000 in 2008 and the other was for £12,000 in 2011. She was concerned her husband had been given two loans in such a short period. And after that was still allowed to continue to use his credit cards. These debts are now being repaid under a debt management plan.

Lloyds didn't believe they'd done anything wrong. At the time they'd agreed the loans, there'd been no evidence Mr B had other debts and they felt his income was sufficient.

Mrs B brought her husband's complaint to the ombudsman service. Our investigator explained we had no power to consider parts of the complaint which had happened before 2011. This was because Mrs B had brought the complaint more than six years after this had happened.

He reviewed the lending after 2011 – the second loan was taken out in May 2011. Mr B's application quoted a salary of £2,500 and as his credit record showed no other lending outside of Lloyds Bank, they were willing to grant him a further loan. Mr B was planning to pay off his other debts – including the overdraft facility and credit card. The evidence showed Mr B's loan payments were then lower than his payments towards his other debts. Our investigator shared a detailed assessment showing how he'd worked this out with Mrs B on 16 March.

He didn't feel there was anything to indicate Lloyds should have withdrawn Mr B's credit cards. In fact Mr B's income exceeded what Lloyds had been led to expect.

Mrs B was disappointed in this outcome. She was concerned her husband's records about his salary were unclear and she felt he may have been required to pay back commission to his employer. She's asked an ombudsman to consider Mr B's complaint.

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've reached the same conclusion as our investigator. I'll explain why.

what can we look at?

It's worth repeating what our investigator has said. He was right that we can't look at part of this complaint. Our powers are set out in the Financial Conduct Authority's Handbook on *Dispute Resolution: Complaints*. These say there are time limits for people to bring complaints to us. I am not able to look at a complaint if it's brought to us more than six years

after the event took place or three years after a customer would have known they had cause to complain.

This means that I can't consider the lending before 2011 unless Mr B didn't know he had cause to complain. But I don't believe this is the case. I can see Mr B clearly asked to borrow from Lloyds. In the years after that, before his illness, I've seen nothing to show Mr B felt he had a complaint or raised any issue with Lloyds.

I appreciate Mrs B has been trying to manage the household debts since 2015 when she got court authority. But she didn't complain to Lloyds until early 2017.

I've seen nothing from Mrs B which would make me revise this view. So I'm satisfied I can't look at the merits of Mr B's complaint about what happened before 2011. I would just mention I have also reviewed evidence about the 2008 loan to help me make my overall decision. It's just that I have no power to decide whether that loan was or wasn't unaffordable.

the loan taken out in 2011

By the time Mr B took out his second loan in May 2011, he'd been making his monthly payments of £311.41 on his previous larger loan for three years. His quoted salary when he applied for the second loan was £2,500. I can see Lloyds will have taken into account Mr B's other lending with them. So I think they carried out an assessment to see whether Mr B could afford to repay this loan as well. He had an overdraft as well as credit card debts. All the evidence shows Mr B's second loan paid off these other debts.

Mr B's new lending cost him £261.55 but his minimum required payments on his two credit cards alone totalled more than £320 a month. And this doesn't take into account the monthly overdraft charges of £45 which lowered by more than half after Mr B got this loan.

So I can see why Lloyds felt Mr B could afford to take out this loan. In fact it could be argued this lending helped reduce Mr B's overall debt payments.

Like our investigator, I think it was sensible of Lloyds not to amalgamate Mr B's 2008 loan into this loan. Mr B was paying a considerably lower annual percentage rate of charge (APR) for his 2008 loan than his 2011 loan.

There's no evidence to show Mr B showed any sign of financial hardship or distress at this time so overall I think Lloyds acted fairly in deciding to give Mr B this further loan.

continued credit card lending

I can appreciate why Mrs B feels it was giving Mr B continued access to his credit cards that caused the financial problems later in 2012. But the evidence doesn't show there was any reason why this would cause alarm bells with Lloyds.

Mr B did continue to use his credit cards but remained well within his credit limits and paid more than the minimum monthly payment for a period until sometime into 2012. I've looked at the spending Mr B did on these cards. For periods it seems as if Mr B was using them to mostly buy petrol.

From the time he took out the second loan, it appears Mr B was earning considerably more than he'd previously led Lloyds to expect. So I can see nothing to indicate why Lloyds wouldn't continue to allow Mr B to use his credit cards.

I know the last few years have been extremely difficult for Mrs B. Apart from her husband's serious illness; she's had to sort out their finances which must have been challenging. The two Lloyds loans and credit cards are being paid off as part of the debt management plan.

Although Lloyds continue to manage these debts for the time being, it may well be they decide to sell these to another body. This should have little or no impact on the debt management plan and arrangements will continue as before, although Mrs B will need to make sure the body responsible for her plan know if any payments need to be redirected to an alternative debt owner.

Having reviewed all the evidence carefully, I've seen nothing which suggests Lloyds made irresponsible lending decisions when granting the loan in 2011 and continued lending on Mr B's credit cards.

my final decision

For the reasons I've given, my final decision is not to uphold Mr B's complaint against Lloyds Bank plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B, on Mr B's behalf, to accept or reject my decision before 30 April 2018.

Sandra Quinn
ombudsman