

complaint

On behalf of Mr E, his father complains that Lloyds Bank Plc (previously Lloyds TSB Bank Plc) was irresponsible in increasing Mr E's overdraft limit on a number of occasions, and in agreeing to issue him with a credit card. Mr E's debts have since been repaid, but his father wants the bank to refund the credit card debt and the increase in the overdraft debt from the initial overdraft limit.

background

Mr E first applied for a £250 overdraft facility on his account with Lloyds in April 2010. Over the subsequent two years or so he requested several increases in the overdraft limit, which took it up to £2,000. In March 2012 he also applied for a credit card and was given a £1,000 limit on this. After his father became aware of these debts he arranged for them to be repaid, but he wants the bank to accept that its lending was irresponsible and refund most of the repaid debt.

Our adjudicator recommended that the complaint should be upheld. She concluded, in summary, that it was unreasonable for Lloyds in March 2012 both to have increased the overdraft limit to £2,000 and agreed a £1,000 credit card facility. She recommended that the bank refund the interest and charges on the current account between March 2012 and June 2013, totalling £892.22, and £54.98 of interest and charges on the credit card. Lloyds accepted the adjudicator's conclusions.

On behalf of Mr E, his father has not accepted the adjudicator's recommendations. He says, in summary, that the bank did not undertake adequate credit checks before agreeing previous overdraft limit increases and should have realised from other entries on Mr E's account that he was in financial difficulties. He still wants the bank to refund the credit card debt, and the overdraft interest and charges back to at least April 2011.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have reached the same conclusions as the adjudicator, and for broadly the same reasons.

Mr E did not tell Lloyds at any time that he was having financial difficulties, and therefore I have to consider whether the conduct of his account should have alerted it to those difficulties and caused it to refuse overdraft limit increases at an earlier stage.

The frequency of overdraft limit requests appears to have been more than usual, but provided the bank carried out appropriate credit assessments on each occasion then I cannot find it to have acted irresponsibly. The bank no longer has records to prove that it did do those checks, but I am satisfied that it would have followed its normal practice in doing so.

However, by March 2012 I do consider that the evidence of financial difficulties was mounting, and the coinciding of another limit increase and a credit card application should have alerted the bank to a potential issue. It appears, however, that the bank considered these requests in separate departments, and so the opportunity to identify the issue was missed.

For this reason, I consider that from March 2012 the bank was irresponsible in its lending to Mr E. It is our normal approach to require a bank to refund any interest and charges incurred as a result, and this Lloyds has already agreed to do. However, my finding of irresponsible lending from that date does not mean that I should require the bank to refund the debts incurred after that date. Mr E has had the benefit of the money he drew on his overdraft and credit card, and it is my view that it is not fair and reasonable for me to require the bank to refund the debt incurred after March 2012.

my final decision

My decision is that I uphold this complaint, in that I find that Lloyds was irresponsible in its lending to Mr E from March 2012 onwards. In full and final settlement, I order Lloyds Bank plc (if it has not already done so) to pay Mr E:

1. The charges and interest, totalling £892.22, applied to his current account between March 2012 and June 2013; and
2. All interest and charges on his credit card account, totalling £54.98.

Malcolm Rogers
ombudsman