

## **complaint**

Mr S says Lloyds Bank PLC shouldn't have lent him any money.

## **background**

Mr S asked Lloyds for loans twice in early-2013 but the bank turned him down because it didn't think he could afford the repayments. In April 2013 he asked again and got a £4,000 loan. He met the monthly repayments up until April 2014 when he took out a new loan for £16,000, of which £1,600 was used to repay the original loan.

Lloyds says it checked Mr S could afford each loan but he disagrees with this. He says, in summary, that:

- The branch staff he spoke with when the second loan was turned down told him to pay a lump sum into his current account. This would 'trick' the credit system into giving him the loan he wanted without the need to refer his application for authorisation. So he borrowed £4,800 from a friend and paid it into his current account in March 2013.
- He only needed £5,000 in April 2014 to pay for some dental treatment. But the bank persuaded him to refinance his existing loan and borrow even more. He was told he'd get a lower interest rate if the amount he borrowed was higher. So he decided to take the extra £9,000 and put it in another account.
- He told the bank he might use the extra money for gambling but was told he should put down "*home improvements*" as the reason for the extra money.
- He told the bank he wasn't paying any rent because he was living with his girlfriend, who owned the property. For some reason the member of staff recorded that he owed his home outright.
- He's managed to keep up with the loan repayments but has done this by using his overdraft and by raising money through gambling. He has now split up with his girlfriend and will soon have to move out of her house. As he'll then have to pay rent he won't be able to afford to pay the loan anymore. A debt management company has told him he should never have been given the loans given his gambling history.

Our adjudicator didn't think the bank had done anything wrong and the two loans were affordable given what the bank knew about Mr S's situation.

But Mr S didn't agree with the adjudicator's view. He said, in summary, that:

- The key reason the bank turned down his first two loan applications was because of his gambling history. The bank should've recorded on his file that he was a gambler, so he couldn't later 'trick' the system by paying in money or applying for a lower amount.
- His complaint isn't about whether or not he could afford the loans when he took them out. It's about whether it was morally right for the bank to record incorrect information about his circumstances and encourage him to borrow more money than he needed. And whether it should have lent to him at all given he was a gambler.

- During the time we've been considering his complaint he's tried applying for loans with three different banks and all of them refused his application because of his gambling history.

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. And I've decided not to uphold this complaint. I'll explain why.

*Should the bank have refused to lend Mr S any money because of his gambling?*

Mr S says Lloyds should've made a note that he was a gambler and this should've stopped it lending any money to him. But he also tells us he didn't spend more on gambling than he earned and suggests his gambling was under control. And that does seem to be reflected in the activity on his current account. Also, there's nothing to suggest he'd ever asked the bank not to lend to him because he'd only spend the money on gambling and didn't want to do this anymore.

When deciding whether to lend banks should consider whether the customer will be able to repay the money. But it isn't up to the bank to tell the customer what they can or can't spend their money on.

*Why were Mr S's first two loan applications rejected?*

I can't know exactly what was said during Mr S's visits to the bank, and the employee concerned has since left for unconnected reasons so we can't ask what he remembers

But Lloyds has given us a recording of the call that took place when the second of Mr S's earlier loan applications was referred for further checks. The information given during that call isn't entirely consistent with what Mr S said to start off with. He'd suggested he wanted a £7,500 loan for gambling. But the bank's staff says to the referral team that he'd said he wanted the money to buy some artwork and the high income and outgoings on his account were from buying and selling art. Yet he only told us about his part-time, art-related job when we asked him about it. And it doesn't seem from what the branch staff said to the referral team that Mr S had told him that many of the payments going out of and coming into his account related to gambling. So I have some difficulty accepting all that Mr S has said.

Mr S says he heard the call – despite it being an internal call which the bank says he wouldn't have been privy to – and the loans was refused solely because of his gambling. But I don't think that was the reason the application was turned down.

From what was said I think the loan application was refused after the referral team realised many of Mr S's transactions were from gambling, but not directly because of the gambling. In fact the referral team said it was up to Mr S how he spent his money. The referral team's real concern was that Mr S said he was earning £1,200 a month but that didn't seem to be the case once the money coming into the account from gambling was discounted.

So the loan was ultimately turned down because the bank didn't think Mr S was earning enough to be able to afford the monthly loan repayments. Not, as he suggests, because of his gambling.

*Should the bank have refused the £4,000 loan application?*

By the time Mr S applied for the £4,000 loan in April 2013 he had, as he tells us, paid in a lump sum of money. But I don't think that's the sole reasons why he was given the loan. I think it was really because his full salary had been paid into the account every month for the past few months and it was about the same amount he'd declared on the loan application. And he'd also lowered the amount he wanted to borrow quite considerably – from £7,500 to £4,000. The bank says an individual's overall credit score changes from month to month and I accept the possibility this may have played a part in the bank's decision-making process too.

I also see Mr S never missed one of the monthly repayments and actually overpaid more than once. That further suggests to me that the loan was affordable when Mr S took it out and whatever gambling he was doing didn't affect his ability to repay the loan.

Overall, I don't think it was wrong of Lloyds to give Mr S the £4,000 loan.

*Should the bank have refused the £16,000 loan application?*

It seems from the paperwork and what Mr S remembers that his living arrangements and outgoings had changed by the time he asked the bank for the loan in April 2014.

The £4,000 application shows Mr S's rent being £425. But the £16,000 application says he wasn't paying any rent or any mortgages. Mr S is concerned the bank recorded that he owned his own home outright and I accept that may not be true – though I can't say what exactly he told the bank at the time. But even if what Lloyds recorded wasn't quite correct, I don't think that means it was wrong of the bank to give him the loan.

Mr S says he was living with his partner at the time, she owned the house and he didn't have to pay rent. I assume Mr S didn't expect this arrangement to change any time soon and I wouldn't expect the bank to assume it would either. And as the loan wasn't secured on the property I don't think it matters that Mr S didn't own it.

Mr S's outgoings had fallen considerably by the time he took out this loan giving him more free money each month to meet the repayments. Given what the bank knew about Mr S's income and outgoings and how much the new loan would cost each month I don't think it was wrong to grant the loan – again, the monthly repayments seemed affordable.

Mr S feels the bank persuaded him to borrow £9,000 more than he asked for and he only really wanted £5,000 for dental treatment. I don't doubt he was told he'd get a cheaper interest rate if he borrowed more money – that's often the case – and the new loan did have a lower rate than the one he took out the previous year. But I think Mr S probably wanted the extra money. It's recorded that he needed the money for home improvements, but Mr S says he was planning on using it for gambling in the hope he would make a big win at some point. That seems to have been the driving force behind his decisions all along.

If Mr S really didn't want to borrow more than he needed for his dental treatment then he could've turned the extra loan down. Alternately, he could have taken the money to get the lower interest rate and then made large overpayments – which he knew he could do because he'd done it with the earlier loan – to repay the loan early. From what he's said that might have been what he'd always planned to do if the gambling went well. But I see, despite some large gambling credits coming bank into his current account (after he took the

loan) he didn't use any of this to repay the loan. And he says he's now spent almost the entire £10,000 of the loan he moved into a savings vehicle on gambling rather than using it to repay the loan.

Mr S also says the dental work didn't cost as much as he originally been told it would cost. Yet, again, he used the surplus money to gamble rather than repay the loan. Despite his gambling he has still met the loan repayment each month, on time.

I can't be sure what reason Ms S gave the bank for wanting the extra £9,000. But I think the loan was affordable and it wasn't up to the bank to tell Mr S what he could spend his money on. Overall, I can't fairly tell the bank to write off this or the previous loan or refund any repayments.

*What happens if Mr S can't afford the loan repayments nay more?*

Mr S tells us his circumstances have now changed and he'll soon be unable to afford the loan repayments..

The bank has to treat positively and sympathetically anyone who's having money problems. So if Mr S has difficulties meeting his loan repayments in future then he should get in touch with Lloyds. The bank will need information about Mr S's income and outgoings so that they can agree an affordable repayment plan.

In fact, given what Mr S has said so far, Lloyds has already tried to help by asking for this information. I urge Mr S to work with the bank to come to an arrangement.

### **my final decision**

My decision is that I don't uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 January 2016.

Ruth Hersey  
**ombudsman**