

complaint

Mr T complains that Lloyds TSB Bank Plc was irresponsible in its lending to him while he was a student. In particular, he says that it wrongly offered him a graduate loan when he continued his studies after his first degree, re-financed that loan several times when the repayments were unaffordable, and also gave him a credit card, on which the limit was increased against his wishes.

background

Mr T banked with Lloyds TSB while studying for his first degree. He subsequently studied for an MSc and a PhD, and in 2006 the bank offered him a graduate loan, at a preferential interest rate, to help him clear his existing debt. Such loans are typically provided to students who are now in employment, but in Mr T's case he was continuing his studies and receiving limited grant and other income. He says that the bank failed to assess whether the repayments for that loan were affordable.

He subsequently went back to the bank a number of times to request further borrowing. On two occasions the bank agreed, on a preferential rate graduate loan account, to re-finance the existing debt and lend further money. On the final occasion, in 2010, it offered a standard personal loan for the re-finance. During these years it also increased the limit on Mr T's credit card.

Mr T says that the bank should not have agreed to re-finance his existing debt and allow him to take on further debt, because he could not afford the repayments. He says the bank was irresponsible in allowing him to get further into debt while still in full time education, kept pushing new loans and credit limits at him, and failed to identify that he was having financial difficulties. He wants the bank to write off most of his debt, which reached over £15,000. In the past he offered to pay £1,500 and £2,500 in full settlement of the debt, which Lloyds TSB did not accept.

Since making his complaint, Mr T has arranged for the full debt to be repaid, to avoid it increasing and a default being recorded on his credit file. However, he still wants the bank to refund a substantial proportion of the repaid amount to him.

The adjudicator did not recommend that the complaint should be upheld. She concluded, in summary, that the initial graduate loan repayments were affordable at the time, based on the information provided to Lloyds TSB about Mr T's then income. She was satisfied that the bank did undertake the appropriate credit checks and affordability assessments on the initial graduate loan and the subsequent re-finances. She did not consider the ongoing conduct of Mr T's current account or credit card should have put Lloyds TSB on notice that he was having financial difficulties. She considered it fair and reasonable, as Mr T had had the benefit of the money, for Lloyds TSB to require the debt to be repaid in full.

Mr T has not accepted the adjudicator's conclusions. He says, in summary, that the bank has not acted in a positive and sympathetic manner towards him during his financial difficulties, did not carry out adequate assessment of the loans' affordability, and failed to establish the true nature of transactions passing through his current account – which included shared bill contributions rather than earned income. He feels that Lloyds TSB manipulated him at a time when he was financially naive.

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.

To find that lending has been irresponsible, I have to be persuaded that at the time that a loan was agreed, and based on the information then available to it, the bank should have identified that the loan repayments were not affordable by the borrower. Having considered very carefully the information that Lloyds TSB had, and being satisfied that it carried out appropriate credit checks, I am not persuaded that its lending was irresponsible on any of the loans or on the credit card.

Mr T says he was unreasonably encouraged to take out new borrowing, but ultimately the decision whether to do so was his to make. I do not find that Lloyds TSB acted unfairly or unreasonably in offering further borrowing to Mr T.

A bank is required to treat customers in financial difficulties in a positive and sympathetic manner, but I do not find that there was reason for the bank to have identified that Mr T was in financial difficulties. In general the conduct of his current account, loan accounts and credit card were satisfactory, and it is not fair and reasonable to expect a bank to monitor all transactions through a customer's accounts so establish their exact nature. If Mr T knew that he was struggling to meet the loan repayments he would have benefitted from telling the bank this at a much earlier stage.

Mr T has had the use of the money borrowed, and as I do not find the lending to have been irresponsible I consider it fair and reasonable for Lloyds TSB to expect the full sum, including interest and charges, to be repaid.

my final decision

My decision is that I do not uphold this complaint.

Malcolm Rogers
ombudsman