

## **complaint**

Miss A complains that Lloyds TSB Bank plc is guilty of irresponsible lending as it agreed to her request for a loan, when this was clearly unaffordable, and then did not offer sufficient help when she found herself in financial difficulties.

## **background**

Miss A applied for a loan online to Lloyds TSB. The bank agreed the loan based on the information she had provided, on income and expenditure information it already held about her from her other accounts with the bank, and on credit reference checks. Miss A used the loan to consolidate some of her existing debts, including her Lloyds TSB credit card and overdrafts on both her sole and joint current accounts with the bank. However, her overdraft and credit card limits remained in place as she had not asked Lloyds TSB to reduce them, and the bank was satisfied with the way those accounts were being operated.

Miss A maintained her loan repayments for about 18 months, although Lloyds TSB agreed a payment plan on her credit card after some 12 months. Eventually however, and all at different times, Lloyds TSB passed all of Miss A's accounts with it (sole account, joint account, loan account and credit card account) to its Consumer Debt Recovery department (CDR). Miss A then complained to the bank that the loan advanced some five years earlier had been unaffordable. Following Miss A's complaint to us, Lloyds TSB offered to refund various charges and interest on all of the accounts except the joint current account. It also offered a further £300 as compensation for its delay in dealing with Miss A's complaint. Additionally, it said it would not pass Miss A's debts to an external debt collection agency, but would handle them in-house within its CDR department.

The adjudicator recommended that the complaint should be upheld in part. She said that the evidence did not support Miss A's claim that the loan had been unaffordable when she applied for it. But she considered that Lloyds TSB should have done more to help her once it realised that she was in financial difficulty. However, she thought the offer it had now made to be a fair and reasonable one in the circumstances.

Miss A disagreed saying, in summary, that the bank should have realised when she applied for the loan, that she would not be able to afford the repayments, and that it should therefore be written off.

## **my findings**

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

I should say at the outset that I am not considering Miss A's joint current account as part of this complaint as we do not have the authority of the other account holder, and it is now the subject of a separate complaint to Lloyds TSB.

Miss A applied for her loan online and subsequently maintained the repayments on it for some 18 months. She used the loan to consolidate other debts, in other words it involved no new lending and she did not increase her indebtedness. In fact quite the reverse, as her monthly repayments on the consolidated debts reduced, leaving her in a better financial position than she had been prior to the loan being granted. I am therefore satisfied that the loan was affordable at the outset when approved. The fact that Miss A then subsequently found herself in financial difficulties is, in my judgement, a completely separate matter that

reflects both changes in her domestic and work situation, as well as the way she chose to manage her finances.

Once Lloyds TSB became aware of Miss A's financial difficulties it took some action to assist her, by – at various times - agreeing repayment plans on her credit card and loan accounts. But ultimately all three of her accounts passed to its CDR department.

Following Miss A's complaint to us, Lloyds TSB has looked again at its responses to her difficulties, and has said it believes it could and should have done more. It has therefore offered to refund some charges and interest (different in each case) on Miss A's three accounts; pay an additional £300 compensation for its delay in dealing with her complaint and to handle her debts within its CDR department subject to Miss A making contact to discuss reduced payments and then maintaining those repayments. Having considered the detail of this case, I consider Lloyds TSB's offer, the detail of which I set out below, to be fair and reasonable.

### **my final decision**

I uphold this complaint in part, and in full and final settlement of it, order Lloyds TSB Bank plc to take the following actions:

- Refund all interest and charges (totalling £1, 175.83) on Miss A's loan account applied since September 2009;
- Refund all interest and charges on Miss A's credit card account (totalling £219.75) applied since April 2009;
- Refund all interest and charges on Miss A's sole current account (totalling £150.59) applied since 21 February 2011;
- Pay Miss A £300.

All refunds of interest and charges to be used to reduce the respective outstanding balances.

June Brown  
**ombudsman**