

complaint

Mr C complains that Lloyds Bank PLC was irresponsible in approving multiple applications to increase his overdraft when it shouldn't have done so.

Mr C is represented by his mother in bringing this complaint. But for clarity – I'll refer to all submissions as being made by him directly.

background

Mr C applied for a £50 overdraft facility at the beginning of August 2014. He previously hadn't had an overdraft facility. Eleven days later he requested a £250 overdraft facility on another of his accounts with Lloyds. The same day he requested an increase to the existing overdraft facility of his other account. Over a 14 day period he made multiple requests that Lloyds increase his overdraft facility to £1,000 for both accounts. There were at least six applications in total, which culminated in a combined overdraft facility limit of £2,000.

Lloyds said Mr C was referred to telephone banking for some of the higher limits and that, after discussion with him, it approved the combined £2,000 limit through credit scoring and income and expenditure review.

Mr C went on to spend the money he'd borrowed immediately with gambling businesses. He said the applications should've been declined as Lloyds should've seen these transactions before agreeing to the increase. So, he thought it should've been aware he was using his overdraft to fund gambling and that his habit was getting worse. He said he was stuck in a cycle of gambling debt and that it was detrimentally affecting his health and wellbeing.

After Mr C complained to Lloyds about these overdraft increases, it investigated what had happened. It said it hadn't done anything wrong when it considered the applications. It explained that Mr C's applications to increase his overdraft facility were assessed using the correct credit policy and each application was assessed separately. It also said it carried out appropriate checks and asked Mr C for information about his income and expenditure when it agreed to the initial overdraft. It said all subsequent increases followed the same procedure.

But, while it thought it had treated the applications correctly, it agreed it could've done more to limit the impact the borrowing had on Mr C because he was a vulnerable customer. So, it decided to refund all interest and charges relating to the overdraft increases as a gesture of goodwill.

Mr C wasn't happy with this so he brought his complaint to us. He told us he thought Lloyds' lending was irresponsible because it had accepted multiple overdraft increase applications over a two week period. He wanted Lloyds to accept responsibility for this and said he didn't think the goodwill gesture awarded by it was fair and reasonable in the circumstances. Our investigator looked into this and, while they empathised with Mr C, they thought Lloyds had put things right fairly and didn't need to do anything more here. Mr C disagreed and asked for the matter to be referred to an ombudsman.

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

overall conclusion as the investigator for broadly the same reasons. I appreciate this will come as a disappointment to Mr C so I'll explain why.

Based on what I've seen, I don't think it was wrong of Lloyds to allow Mr C to have an overdraft facility for both accounts when he first applied in August 2014. Before agreeing to lend, Lloyds is required to assess the affordability of credit to ensure that a customer can afford to repay what they're borrowing. It's up to Lloyds which checks it carries out but they need to be reasonable and proportionate to, for example, the amount being borrowed, the cost of repayment and a customer's lending history. We can't say a lender should've done any particular check and there isn't a set list of checks it needed to do.

Having carefully considered what both Lloyds and Mr C say here, it seems to me that at the time Mr C made his initial overdraft applications, Lloyds fairly assessed his ability to repay what he borrowed. I say this because there's nothing to suggest Mr C wasn't running his account well. He was employed at the time and I've seen evidence of credit checks being made on him. There's no evidence his account was in financial difficulties. So, I think he could afford to repay the amount borrowed.

But, while the initial overdraft decisions were reasonable I can see Mr C made at least six requests to increase his overdraft facility during a two week period. This is a significant change to how Mr C typically used his account. I say this because I can see that Mr C had been a customer since 2011 and hadn't had an overdraft on either account prior to August 2014. Then suddenly, within the space of two weeks, multiple applications for credit were made – four of which were within four days of each other. This behaviour was extremely out of character for Mr C. So, I think it would've been reasonable to expect Lloyds to query why repeated applications were being made over such a short period before deciding to increase his overdraft facility. If it had done so, I think it's unlikely that Lloyds would've lent to Mr C.

Irresponsible lending isn't just about whether he could afford to repay the credit or not. It's also about whether there's another reason Mr C shouldn't have the credit. For example, it could be irresponsible to lend money to someone who's in a debt spiral or who's using the money to fund a gambling habit.

I know that Mr C feels that evidence of how he was using his account to fund gambling should have alerted Lloyds and should have prevented it from increasing his overdraft. I can see both sides of the argument here.

From Lloyds' perspective, I think it would've been difficult for it to get a true picture of what was behind these applications. I say this because this all happened over a two week period, which makes it difficult to truly understand whether this is a long term problem. Without Lloyds checking all accounts and analysing every transaction it would have been difficult for it to know about the gambling transactions. And I wouldn't necessarily expect it to do that. In any event, spending money on gambling doesn't always mean a customer has a gambling addiction – especially where they can afford what they're spending. So, a bank can't make assumptions about a customer's spending habits.

Turning now to Mr C's perspective, I can see why he thinks Lloyds should have done more to look at how he was using his account. Had it considered his account management this would've alerted it to a wider problem in that it would've been clear to anyone looking at Mr C's account in August 2014 that he was using the account primarily to gamble and that his account was falling out of control. I also think that the pattern of applications should've suggested there was a cause for concern. So, I can understand why Mr C thinks Lloyds

shouldn't have accepted his repeated applications to increase the overdraft without probing deeper into how he was managing his account.

Having carefully considered both arguments, I think Lloyds missed multiple opportunities to identify that Mr C was using the money it lent him to fund his gambling habit and to limit the impact of his gambling habit on his finances. I say this because, having looked at the situation in its entirety, I think in view of Mr C's deviation from his usual use of the account it would've been fair and reasonable for Lloyds to question him about why he had repeatedly asked to increase his overdraft facility. It didn't do so and I don't think it was reasonable for the bank to have allow his overdraft facility to increase the way it did without doing that. Because of this, I think the overdraft limits were increased unfairly and Lloyds didn't behave responsibly when it made decisions to authorise subsequent overdraft facility increases.

We aren't here to punish businesses and, to put things right, I'd have asked Lloyds to refund all interest and charges incurred on the lending. That recognises that, while Mr C has spent the money, it's not fair for him to be disadvantaged by the interest and charges applied to that. But, it's already done this and I think it's recognised the impact this all had on Mr C. From reviewing the account statements, I'm satisfied the amount refunded has been correctly calculated. So, I think Lloyds has acted fairly and reasonably in putting right what happened and I don't think it would be fair to ask it to do anymore.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 6 January 2019.

Julie Robertson
ombudsman