

complaint

Mr O has complained about irresponsible lending by Lloyds Bank PLC (Lloyds).

background

In 2005, Mr O opened an account with Lloyds. It offered him a credit card with a limit of £500, which he accepted. His spending on the credit card then exceeded the limit and he ran up a debt.

In 2010, Lloyds consolidated this debt into a loan but didn't close the credit card account. By the end of 2011, Mr O began using the card again and ran up more debt.

In 2015, Mr O found out Lloyds had offered him the credit card without carrying out a full credit check. He said if it had done this, it would have known he owed £70 000 to other providers and wouldn't have offered him it.

He told Lloyds this was irresponsible lending and asked for a refund of all the charges and interest on both the credit card and loan accounts. He also complained that Lloyds didn't help him while he was experiencing financial difficulties, even though it knew he was suffering from depression.

Lloyds said it was too late to consider Mr O's complaint because he made it more than six years after opening the account. However, it explained that it had applied for a credit score from Experian in 2005 and he must have had a high enough score at the time to be offered a credit card.

It refused to refund the interest and charges but acknowledged it should've closed his credit card account in 2010. Because of this, it offered to write off the outstanding balances on his credit and loan accounts.

Mr O didn't think this was enough, so he complained to this service.

Our adjudicator thought the complaint was within our jurisdiction because Mr O made it within three years of finding out about Lloyds' failure to carry out a full credit check on him. However, he also thought Mr O didn't have to accept the credit card and that Lloyds was entitled to apply interest and charges to the account when Mr O fell into debt. And he thought the offer to write off the outstanding balances on the credit card and loan accounts was reasonable.

Mr O disagreed. He maintains that Lloyds acted unfairly by adding charges to his credit card account and didn't contact him to help when the charges started to add up.

He asked for an ombudsman referral.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

According to its records, Lloyds checked Mr O's credit score with Experian and took details of his income and expenditure when he opened the account in 2005. It says if it offered him

a credit card his score must have been satisfactory. Also, it says it didn't have to carry out separate checks for the credit card.

I don't think there were any extra checks that would've given it additional information. And, I agree with our adjudicator that it was up to Mr O to tell Lloyds about his existing debts and to refuse the credit card if he knew he couldn't afford it.

Since he has benefited from spending under the card, I don't think it would be fair to ask Lloyds to refund the charges and interest generated by that spending.

Mr O also says Lloyds didn't help him with his financial difficulties, even though he was suffering from depression. I don't think Lloyds knew about his depression before 2010. The records show he told it about a leg injury and family illness, which he said affected his financial circumstances, but not his depression. He also said in 2010 he wasn't sure he was in that much difficulty.

I appreciate that he might spend because he's depressed and that by 2010 his income dropped significantly after losing his job, but I still think Lloyds helped him when it decided to consolidate his debt into a loan. The alternative would've been for Lloyds to demand an immediate repayment of the credit card debt and to default his account if he didn't settle it. I think that would've been worse for him. As it was, Mr O received an inheritance in 2011, which he could have used to settle the debt, but it seems he chose not to.

Lloyds has accepted that it should have closed his credit card account in 2010 and I think its offer to write off the outstanding balances on his credit card and loan accounts is a reasonable one.

I'm sorry this will be disappointing for Mr O, especially as his financial difficulties are likely to exacerbate his illness, but I have to be fair to both parties when deciding a complaint. I don't think Lloyds acted irresponsibly when it offered him the credit card, or unreasonably when he then fell into debt.

my final decision

I think the offer by Lloyds Bank PLC to clear the outstanding balances under Mr O's card and loan accounts is fair, and I don't propose to increase it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 15 January 2016.

Razia Karim
ombudsman