

## **complaint**

Ms D complains that Lloyds Bank plc (formerly Lloyds TSB Bank plc) lent to her irresponsibly. She says that she suffers mental health issues and that Lloyds took advantage of her vulnerability and persuaded her to take on unaffordable debt.

## **background**

Ms D complains that the bank persuaded her to have a credit card that she did not want. She spent money on this card and her mother then paid it off in full in 2002. She says that in 2003, she was persuaded to take out a loan for £5,000. Then in 2004, she was provided with another loan which consolidated her first loan and provided her with some additional money.

In 2006, she says she was provided a third loan.

The bank says that because the credit card account was closed more than six years ago it does not have records of this. It says that this part of the complaint falls outside our jurisdiction. It also notes that the loans were all taken out more than six years ago.

The bank says that the initial loan provided in 2003 was consolidated into the new loan in 2004 and that this was then consolidated into the 2006 loan. It says that in each case the payments on the loans were maintained for a reasonable period of time. It also says that the 2006 loan was transferred to its recoveries department in April 2007 and because of Ms D's financial situation, a monthly repayment plan has been agreed.

The adjudicator found that Ms D's complaint about her credit card fell outside our jurisdiction because Ms D didn't complain about it sooner. She did consider Ms D's complaint about her loans and did not uphold the complaint. The adjudicator said that because Ms D had maintained her loan payments for a year following the 2003 loan and two years following the 2004 loan, these loans were affordable at the time they were provided. She said that following the bank becoming aware of Ms D's financial difficulties in April 2007, it had acted as we would expect. She did not find any evidence that the bank was aware of Ms D's mental health issues.

Ms D did not agree. She says that she told the bank about her mental health issues and that the bank coerced her into taking on the debt. Since receiving the adjudicator's view of 3 February 2014, Ms D has provided a letter from her psychiatric nurse setting out her mental health issues and a letter from another Lloyds customer saying that branch staff tried to persuade customers to take on additional debt even when they did not want it.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence.

As the adjudicator has explained, under our rules we can't investigate all complaints that we receive. One limit on our ability to investigate complaints relates to the amount of time that has passed since the issue giving rise to the complaint happened. Ordinarily, we cannot consider a complaint if it is referred to us more than six years after the issue arose. Or, if later, three years after the complainant became aware that he/she had cause for complaint.

In this case, the bank has objected to our considering the complaint because of the length of time that has passed.

However, because of Ms D's ongoing mental health issues, I have accepted that she may not have been able to bring her complaint within the expected timeframe. But I find it appropriate to dismiss Ms D's complaint about the credit card account without further consideration. That account was closed in 2002, and the bank has no records about it – which I don't find unreasonable. I consider it wouldn't now be possible to establish the full factual background to this complaint and make a proper assessment of it due to the passage of time and the limited information that is now available.

The rules we follow are known as DISP and are set out in the Financial Conduct Authority Handbook. I dismiss Ms D's complaint about her credit card under DISP 3.3.4.(17), so I will not be considering this part of the complaint. However, I have considered Ms D's complaint about her loans.

Ms D complains that Lloyds lent to her irresponsibly. She says that her income is limited to benefits and that the bank knew about her mental health issues but still persuaded her to take on debt that was unaffordable. Because of the time that has passed since the loans were provided, the bank has not been able to provide full information about the loans provided before 2006. I accept this, and consider that I am still able to decide what is fair and reasonable in this case.

Accepting that Ms D's income is limited to benefits, I do not find that this automatically means that a loan is unaffordable. Income from benefits can be used as part of the lender's assessment of affordability. Also, accepting that the bank was aware of Ms D's mental health issues, I would still not expect the bank to automatically refuse Ms D loans or to write off the debt that Ms D has had the benefit of. I would expect the bank to act sympathetically towards Ms D.

Because the first two loans were closed in 2004 and 2006 respectively, the bank has not been able to provide statements or agreements, and I accept this is reasonable. Banks aren't required to keep records indefinitely. What has been provided shows that Ms D maintained the payments under these loans for a number of months before each loan was consolidated into the next loan. On balance, I find that these loans were affordable.

As the 2004 and 2006 loans consolidated the previous loan, the only outstanding loan Ms D has is the one provided in August 2006. The bank has said that Ms D contacted it in 2006 to discuss consolidating her debt which included credit card and loan debt. At the meeting in July 2006 to discuss consolidating Ms D's debt the bank wanted to check that Ms D could manage without a credit card. A loan was not provided at this meeting but another appointment was made in August 2006. At this meeting the bank recorded that Ms D's main concern was to reduce her monthly payments. The bank agreed to provide her with a loan for £12,600 plus loan protection insurance ("LPI") of £4,153.44.

The 2006 loan consisted of £8,465.52 of borrowing plus the consolidation of the previous loan balance of £4,134.48. On the day the loan was made, Ms D paid out £7,869.17. Ms D took out the loan, in part, to pay off her credit cards and I assume this payment was to do this. This left a net additional amount of debt of £596.35. Because of the small amount of additional money, I find that this new loan was primarily to consolidate previous debts and made at Ms D's request.

The total monthly payments were £312.44 consisting of £234.98 for the loan and £77.46 for the LPI. Ms D has said at her only income was from her benefits. I have looked at Ms D's statements and a regular benefit income is shown. The benefit income was higher than the amount due in loan payments, but because I have not got a breakdown of Ms D's expenses, I cannot say from this information alone whether the 2006 loan was affordable. But, on balance, I find that because the loan was made to consolidate other debts, including credit card debts which are often at a higher rate, and Ms D did not raise any concerns about repayment at the time the loan was taken out and she was able to maintain the loan payments, I do not find that the loan was lent irresponsibly.

Ms D's statements show that in January 2007 a payment was returned. Ms D told the bank about her financial difficulties in 2007. After receiving information about Ms D's financial situation from her Citizen's Advice Bureau in April 2007, the bank transferred her loan to its recoveries department and the interest was suspended. Since then a repayment plan has been agreed with reduced monthly payments, and I understand that these payments have been maintained. I find that by offering to consolidate her loans and by agreeing a repayment plan, the bank has acted sympathetically towards Ms D.

I find that, in all circumstances, the bank has acted reasonably.

### **my final decision**

My final decision is that I do not uphold this complaint.

Jane Archer  
**ombudsman**