

The complaint

Mrs H complains that the loans she had from Lloyds Bank PLC were unaffordable to her.

What happened

Mrs H had four loans with Lloyds between 2 February 2015 and 26 February 2021 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	2 Feb 2015	£3,500	36m	£131.35	5 Feb 2018	16 Jul 2016 With loan 2
2	16 Jul 2016	£7,576.45	60m	£163.80	1 Jul 2021	18 Nov 2016 With loan 3
3	18 Nov 2016	8,191.33	70m	£175.59	1 Aug 2023	26 Feb 2021 With loan 4
4	26 Feb 2021	12,401.77	48m	£314.70	1 May 2025	30 Dec 2021

Mrs H says that after the initial lending, she refinanced each loan with subsequent loans from Lloyds. She says she took numerous holiday repayments during the period and the debts were increasing leaving her struggling to make the repayments. Mrs H adds that the financial pressure has led to emotional issues and her relationships have suffered as a result. She says the lending was unaffordable due to other debts and Lloyds should not have allowed her to refinance as she was making only the minimum repayments on her credit cards and her requests for payment holidays should have indicated to Lloyds that she was struggling financially.

Lloyds says it did not review Loan 1 as it was taken out more than six years before Mrs H complained and, therefore, was out of jurisdiction. It says that, when it approved the other loans, it had taken into account Mrs H's income, other debt and living costs. Lloyds adds that it also asked Mrs H whether her circumstances were likely to change in the future. It says it approved her online requests for payment holidays as there was no suggestion of financial difficulties and she repaid the final loan in full with no missed payments.

One of our ombudsmen has considered whether this service can look into Mrs H's complaint about the first loan and decided it was within our jurisdiction. So, this decision will review the affordability of all four loans.

Our adjudicator did not recommend the complaint should be upheld. He said he found the checks carried out by Lloyds for loans 1 to 3 were proportionate and there were no obvious signs Mrs H was struggling financially. However, he considered Lloyds should have carried out further checks before agreeing to loan 4, as Mrs H's multiple requests for payment

holidays could have indicated she was in financial difficulties, plus her credit commitments had increased. That said, our adjudicator didn't see anything which would have suggested to Lloyds that the lending was unsustainable, even if it had carried out further checks.

Mrs H responded to say, in summary, that she didn't agree as Lloyds didn't carry out enough checks for loan 4.

Provisional findings

I issued a provisional decision to Mrs H and to Lloyds on 12 June 2023. I've summarised my findings below:

- For loans 1 and 2 I couldn't see that there was anything that should have indicated to Lloyds that the lending was unaffordable;
- I found Mrs H had a change of circumstances before she applied for loan 3 and considered it reasonable that Lloyds would have seen the lower income from her bank statements;
- As Mrs H's disposable income was now less than £200 and the loan repayment was £176 per month over 70 months, I found this was likely to be unsustainable for Mrs H and Lloyds should not have approved the additional lending;
- For loan 4 I considered Lloyds should have ensured it thoroughly understood Mrs H's financial circumstances;
- Having looked at her bank statements, I was satisfied there was nothing that would have indicated to Lloyds that the loan repayments for loan 4 would be unsustainable.

My provisional decision was that I upheld Mrs H's complaint about loan 3, but I couldn't see that Lloyds acted unfairly in any other way.

Lloyds responded to say, in summary, that it agreed to refund all the interest Mrs H was charged in relation to Loan 3, plus 8% simple interest on the overpayments.

Mrs H accepted Lloyds's offer.

What I've decided – and why

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

As Mrs H has accepted the offer from Lloyds, and I'm satisfied the offer is reasonable, my decision is that Lloyds should refund the interest on loan 3, as it has offered to do.

My final decision

My decision is that I uphold this complaint in part. Lloyds Bank PLC should do the following, as it has offered to do:

- Add up the total amount of money Mrs H received as a result of having been given loan 3. The repayments Mrs H made should be deducted from this amount.

- Any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). *
- Remove any negative information recorded on Mrs H's credit file regarding loan 3.

*HM Revenue & Customs requires Lloyds to deduct tax from this interest. Lloyds should give Mrs H a certificate showing how much tax it's deducted if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 7 August 2023.

Amanda Williams
Ombudsman