

## **The complaint**

Ms P complains that Lloyds Bank PLC lent irresponsibly when it approved loan applications.

## **What happened**

Ms P had an existing loan with Lloyds and in January 2019 applied for a new loan. Ms P said she was living with family and employed with a monthly income of £1,551. No details of regular outgoings were provided. Ms P's application said she wanted to borrow £21,527.51 to consolidate her existing loan and other debts. Lloyds says it applied its lending criteria and approved the loan. Lloyds also says Ms P used the funds to repay her existing loan which was around £3,500 with the remainder released to her current account. £900 was used to repay the overdraft facility, which was then cancelled and £3,200 was used to repay a credit card in Ms P's name. A further £3,400 was used to repay a credit card and £9,300 to repay a loan – both with other businesses. Lloyds says the rest was retained by Ms P totalling around £1,200.

In May 2021 Ms P made a loan application for £5,000 with Lloyds. In this application, Ms P confirmed she was still residing with family. Lloyds used a regular outgoing figure of £695 a month and says it took Ms P's declared income of £2,007 into account. Lloyds says that it checked Ms P's credit file and applied its lending criteria before approving the loan application.

Last September, Ms P contacted Lloyds and explained she was experiencing some difficulties making payments. Lloyds agreed a reduced payment plan for both loans over six months.

Ms P complained to Lloyds and said it had lent irresponsibly when approving her loans. Ms P also said the interest rate wasn't made clear when she applied and is unfairly high. Lloyds issued a final response on 14 March 2023 but didn't agree it had lent irresponsibly and didn't uphold Ms P's complaint.

An investigator at this service looked at Ms P's complaint. They thought Lloyds had dealt with Ms P's case fairly and didn't ask it to take any further action. Ms P asked to appeal and said she'd only applied for a loan after being contacted by the bank. Ms P also said the interest rates being charged were too high. As Ms P asked to appeal, her complaint has been passed to me to make a decision.

## **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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've taken our approach into account when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

I've looked at Ms P's loan application from January 2019. I can see that Ms P gave information about her circumstances, including that she was living with family without making regular rent payments. Lloyds completed a credit search and found various commitments in Ms P's name. But the loan application was made for debt consolidation purposes. So whilst I accept Ms P had other credit in her name, I'm satisfied Lloyds factored that in when assessing how much she could afford to borrow. And I can see from Ms P's bank statements that the majority of the funds were used to repay other unsecured credit.

I've considered the information available to Lloyds in addition to the checks it carried out in January 2019. I'm sorry to disappoint Ms P but I haven't been persuaded that Lloyds failed to carry out reasonable or proportionate checks or that it lent irresponsibly.

Ms P applied for another loan in May 2021. This loan was also for debt consolidation purposes and for £5,000. Ms P gave a rent figure of £695 and a monthly income figure of £2,007. Lloyds applied its lending criteria and looked at Ms P's credit file. Again, Lloyds says the application was fairly approved on the basis that the loan repayments appeared affordable, in addition to Ms P's existing commitments. I understand Ms P has since experienced difficulties maintaining repayments, but I'm satisfied that Lloyds reasonably approved the second loan application based on what it knew about Ms P. I haven't been persuaded that Lloyds lent irresponsibly or treated Ms P unfairly.

Ms P's told us that the interest rate charged is unreasonably high for both loans. But Lloyds has provided copies of the loan agreements that both confirm the relevant interest rates of Ms P's loans. And the affordability of Ms P's loan applications was assessed on the basis of the repayments set out in the loan agreements. So whilst I understand Ms P's view is that the interest rate charged is unfairly high, I'm satisfied Lloyds made it clear before she agreed to proceed with the loans.

I also think it's fair to add that Lloyds has pointed out that Ms P's loans were predominantly used for debt consolidation purposes, with the intention of bringing her borrowing into one place. I can see that Ms P did use the majority of the funds released to repay existing debt. In my view, that reinforces Lloyds' view that the loans were fairly approved in full knowledge of Ms P's circumstances and financial position at the time.

Lloyds has confirmed that Ms P's loans were placed on a six month payment arrangement and that if she is still experiencing difficulties making payments she has the option of contacting its customer services team. Businesses are obliged to treat customers that are experiencing financial difficulties positively and sympathetically. So if Ms P requires further support going forward, she has the option of contacting Lloyds.

I'm very sorry to disappoint Ms P but as I'm satisfied Lloyds dealt with her complaint fairly I'm not telling it to do anything else.

### **My final decision**

My decision is that I don't uphold Ms P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 14 September 2023.

Marco Manente  
**Ombudsman**