DRN-4394870

The complaint

Mr T complains that the loans he had from Lloyds Bank PLC were unaffordable to him.

What happened

Mr T had two loans with Lloyds between March 2011 and April 2013 as follows:

Loan	Date	Amount	Term	Repayment	Repaid
1	8 Mar 2011	£9,500	48m	£277.74	8 Apr 2013 With loan 2
2	8 Apr 2013	£17,200	84m	£273.60	Sold to DCA* 7 Jan 2015

* *Debt Collection Agency*

Mr T says that he was offered the first loan *"on the spot"* in branch and was only asked about his income, with no extra checks. He says he was then offered almost twice as much over the phone in 2013 when it should have been clear to Lloyds that the repayments were unaffordable.

Lloyds initially said the complaint was out of our jurisdiction because the loans were taken out too long ago. However, following consideration by one of our ombudsmen, Lloyds has now agreed for this service to consider Mr T's complaint. It adds that it is unable to provide much information, however, due to the time that has passed since the loans were approved.

Our adjudicator did not recommend the complaint should be upheld. He said that in the absence of detailed information from Lloyds he looked at Mr T's bank statements to see what proportionate checks were likely to have shown. He found there was no strong reason why Lloyds would have considered the lending was unsustainable and so he couldn't say that it had acted unfairly by approving either loan.

Mr T responded to say, in summary, that the evidence seems to suggest the opposite, especially with regard to loan 2.

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.

I need to take into account the relevant rules, guidance and good industry practice, as outlined on our website.

Bearing this in mind, in coming to a decision on Mr T's case, I have considered the following questions:

- Did Lloyds complete reasonable and proportionate checks when assessing Mr T's loan applications to satisfy itself that he would be able to repay the loans in a sustainable way?
    - If not, what would reasonable and proportionate checks have shown?
- Did Lloyds make a fair lending decision?
- Did Lloyds act unfairly or unreasonably in some other way?

<u>Loan 1</u>

Lloyds has sent evidence to show Mr T said the purpose of the loan was to buy a car and that he'd declared his employment income to be £3,500. It hasn't been able to provide any further information about the checks it may have carried out at the time, but I don't find that to be unreasonable given the loan was taken out over 12 years ago. Lloyds has provided bank statements from the time, and I can't see there was anything in the available information that should have indicated to Lloyds that the lending was unaffordable. In fact, Mr T's regular income at the time appears to be around £5,500 per month and, although there was some use of short-term loans, none appeared to be outstanding at the time of the lending.

So, I consider Lloyds made a fair lending decision for loan 1.

<u>Loan 2</u>

Mr T told Lloyds that his income had reduced and that he wanted the new loan for re-financing of existing debt. He used £6,219.26 of the £17,200 to repay loan 1, £7,636 paid off his Lloyds credit card and the remaining amount cleared his overdraft.

Again, I have looked at Mr T's bank statements from the time and I can see that his regular income had reduced to around £1,500 per month. By approving the loan, Lloyds reduced Mr T's credit commitments by about £350 monthly, but he was still committed to spending around 37% of his income on credit commitments, as he was repaying a further loan at £278 per month. At the time of loan 2 Mr T also had at least five outstanding short-term loans with three lenders.

So, I have considered whether Lloyds was irresponsible when it agreed to loan 2 and I have come to the conclusion it was not. I say that because:

- Loan 2 wasn't actually additional lending as he used the money to repay other Lloyds' debts – loan 1, his credit card and his overdraft;
- The interest rate charged on loan 2 was significantly less than any of the existing Lloyds' debts;
- The loan had the effect of reducing his total monthly credit commitments by around £350;

- Mr T’s bank statements showed he had limited expenditure each month – there was a regular payment of £350 per month, possibly for rent, and a further loan repayment of £278;
- Mr T’s income appeared to be enhanced by a bonus in April 2013, with which he repaid all his short-term loans.

In summary, I find loan 2 was beneficial for Mr T and, therefore, I can’t agree that Lloyds was irresponsible when it approved it. I also can’t see that Lloyds acted unfairly or unreasonably in any other way.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr T to accept or reject my decision before 5 December 2023.

Amanda Williams
Ombudsman