

The complaint

Mr S complains that Lloyds Bank PLC lent to him irresponsibly.

What happened

In July 2019 Mr S applied for a loan with Lloyds. Lloyds approved the application and gave Mr S a loan for £12,000.

In January 2020 Mr S applied for a second loan. Lloyds approved the application and gave Mr S a loan for £7,500.

Mr S complained that Lloyds had lent to him irresponsibly.

Lloyds didn't uphold the complaint. It said it had carried out proportionate checks before lending to Mr S.

Mr S remained unhappy and complained to this service.

Our investigator didn't uphold the complaint. She said that Lloyds had completed reasonable and proportionate checks before lending to Mr S and that the lending decision was fair.

Mr S didn't agree. He said that if Lloyds had carried out proper checks it would've discovered that between November 2019 and January 2020, he hadn't had any income because he'd lost his job. He said he'd had to take out the loans to help with payments to his overdraft and credit card.

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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Mr S's complaint.

Before agreeing to lend, Lloyds needed to complete reasonable and proportionate checks to ensure that Mr S could sustainably repay what was being lent to him.

There's no set list of checks a lender has to complete. But lenders are required to have regard to things like the amount being lent, the total amount repayable, the monthly repayment and the consumers individual circumstances when deciding what's reasonable and proportionate.

Loan 1

I've looked at the checks carried out by Lloyds. Lloyds gathered information about Mr S's income and expenditure. Mr S declared income of £2650 per month and housing costs of £300 per month. Lloyds took Mr S's essential living costs into account and carried out a credit check which showed that he had existing consumer credit commitments of around

£791 per month. Using all of the information it had obtained, Lloyds calculated that Mr S's monthly disposable income was around £1125. Lloyds decided that this was sufficient for Mr S to be able to afford the loan repayments.

Based on what I've seen, I think the checks carried out by Lloyds were reasonable and proportionate. There was nothing in the information gathered from the checks which would've given Lloyds cause for concern, or which would've necessitated further checks.

I'm also persuaded that the lending decision was fair. This is because the information from the checks showed that Mr S had sufficient monthly disposable income to be able to sustainably repay the loan. There was nothing in the information gathered to suggest that Mr S was struggling to repay his debts or that he was overly reliant on credit.

For these reasons I don't think Loan 1 was lent irresponsibly.

Loan 2

I've looked at the checks carried out by Lloyds. Lloyds gathered information about Mr S's income and expenditure. Mr S declared income of £2550 per month and housing costs of £345 per month. Lloyds took Mr S's essential living costs into account and carried out a credit check which showed that he had existing consumer credit commitments of around £588 per month. Using all of the information it had obtained, Lloyds calculated that Mr S's monthly disposable income was around £1133. Lloyds decided that this was sufficient for Mr S to be able to afford the loan repayments.

Based on what I've seen, I think the checks carried out by Lloyds were reasonable and proportionate. There was nothing in the information gathered from the checks which would've given Lloyds cause for concern, or which would've necessitated further checks.

I'm also persuaded that the lending decision was fair. This is because the information from the checks showed that Mr S had sufficient monthly disposable income to be able to sustainably repay the loan. There was nothing in the information gathered to suggest that Mr S was struggling to repay his debts or that he was overly reliant on credit.

I've taken into account what Mr S has said. I understand that he thinks that Lloyds should've looked at his bank statements. However, as I've already said, I'm satisfied that the checks carried out by Lloyds were reasonable and proportionate. I don't think there was any reason for Lloyds to have carried out further checks at the time such as (for example) looking at bank statements.

Mr S has made reference to his overdraft and his credit card, both of which I understand are held with Lloyds. These facilities weren't specifically raised by Mr S when he first raised a complaint with Lloyds. So Lloyds hasn't investigated these and I haven't commented on them in this decision. If Mr S wishes to complain about the overdraft and/or the credit card he should raise this with Lloyds.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 3 August 2023.

Emma Davy

Ombudsman