

The complaint

Mrs J complains that Lloyds Bank PLC irresponsibly allowed her to take out two loans which were unaffordable.

What happened

Mrs J says she took out two Lloyds loans in 2000 and 2007. She says both were unaffordable and used to consolidate other debts. Mrs J says she was in a difficult financial position at the time of the loans with other credit card debts. She says a significant proportion of her income was used to pay her debts each month and that Lloyds should have known that when it approved the loans.

Lloyds says due to the passage of time it has very limited information about the loans and the checks it carried out.

Mrs J brought her complaint to us, and our investigator didn't uphold the complaints. The investigator thought there was limited information about the first loan and nothing to suggest the lending decision was unfair or unaffordable. The investigator thought there was some limited information about the 2007 loan which suggested Mrs J had a regular income with a bank account that appeared well run.

Mrs J accepts the investigator's view in respect of the first loan but not the second one. She says although she repaid the loan on time it caused other debt. She also says Lloyds should have known about her other debt if it carried out appropriate checks.

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.

Having done so I have come to the overall view that I don't uphold this complaint.

Lenders should carry out reasonable and proportionate checks on any lending or credit application. Those checks will of course vary depending on the type or amount of any lending and those checks change over time due to different regulatory requirements.

I have no doubt Mrs J appreciates that Lloyds is not required to keep records going back some 16 years to April 2007 and that of course means that information is extremely limited in this case. For example, Mrs J is unable to provide her full income and expenditure details from that time and Lloyds is not able to provide details of the checks it did carry out at the time. Normally in these sorts of complaints a full credit file would be provided as well as affordability calculations. Without that information it is very difficult to form a balanced view of any affordability checks.

I have looked at the limited information provided by both sides and can see Mrs J says she used the loan to refinance and repay her credit card account. Lloyds records show that the credit card account had an interest rate of over 20% and Mrs J was repaying about £173 in

interest each month. The 2007 loan had an interest rate of about 6% which I think was significantly less than the credit card rate. So, I think on one level the loan may have improved Mrs J's financial position when compared with the alternative and I can see the loan was repaid on time and in full, which suggests the lending may have been affordable.

Mrs J has provided some bank statements from 2007. I have looked carefully at them and can see she had a regular income and the account appeared well run. It was not overdrawn and did not appear to have for example returned payments.

Overall, I'm satisfied that I have not seen any evidence that Lloyds didn't carry out reasonable and proportionate checks on the 2007 loan application. And I have not seen evidence which persuades me on balance that there were obvious signs of financial difficulties that Lloyds ought reasonably to have been aware of at the time and considered. I have made clear that the loan may have been of some benefit when compared with the credit card interest rate and that it was repaid appropriately, which further suggests it wasn't unaffordable.

I appreciate Mrs J will be disappointed by my decision.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 26 January 2024.

David Singh
Ombudsman