

The complaint

Mr D complains that Lloyds Bank PLC was irresponsible in its lending to him.

What happened

Mr D raised a complaint about the loan provided to him in 2017. He says the loan was unaffordable as at the time his overdraft was higher than his monthly income. He says that as he also banked with Lloyds it would have had access to his bank statements and so would have been aware that he was experiencing financial difficulties as well as having a serious gambling problem.

Lloyds issued its final response letter not upholding Mr D's complaint. It said Mr D applied for a £5,000 loan on 17 November 2017 through its telephony system. It said that £2,000 of the loan was used to repay his overdraft. It said before lending to Mr D it carried out affordability and credit checks and as Mr D passed its checks the loan was provided.

Our investigator didn't uphold this complaint. He didn't think it would've been proportionate for Lloyds to ask Mr D for the amount of information needed to show the lending was unsustainable. He noted that the loan was used in part to repay other debt.

Mr D didn't accept our investigator's view. He reiterated that Lloyds would have known he was using the maximum amount of his overdraft as it was his current account provider. He said that it would have been proportionate for his bank statements to have been reviewed and had this happened it would have been clear that he shouldn't have been provided with the loan. He said that although the loan was used in part to clear his overdraft the rest he gambled.

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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website. I have had this approach in mind when considering this complaint.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, the total cost of the credit, and what it knew about Mr D at the point of application.

Mr D was provided with a £5,000 loan repayable over 24 months with monthly repayments of around £249. As part of the application process, Mr D provided details about his employment and residential status. He said he was employed with a monthly net income of £1,450 and was living with parents. Lloyds has said that it carried out a credit scoring assessment which

applied an internal credit score based on information gained from the credit reference agencies.

I haven't seen details of Mr D's credit report from the time but note he was using his overdraft. While I do not find that Lloyds was required to carry out a review of Mr D's bank statements in regard to this lending, I have used the information contained in these to understand what Lloyds would have identified through its checks.

Mr D's bank statements for the months leading up to the loan show no evidence of any other major financial commitments that would have raised concerns through a credit search. Therefore, I do not find I can say that Lloyds credit checks should have resulted in further checks taking place.

Mr D's bank statements support the income amount provided as part of his application. He had explained that he was living with parents and there is no evidence in his bank statement to suggest this wasn't correct. Mr D had limited committed expenses for items such as insurance and mobile phone but having considered his committed expenses against his income I do not find that this would have raised concerns that the lending was unaffordable.

Mr D's use of his overdraft can be seen from his bank statements. But as the loan was intended in part to repay the overdraft, I find that this had been considered as part of the assessment. I understand how hard it must be for Mr D to discuss his gambling and I appreciate his honesty in providing this information. But in this case, I do not have evidence to show that Mr D had made Lloyds aware of his gambling at the time and considering the size of the loan, its purpose and the repayment amounts compared to Mr D's income, I think the checks carried out were proportionate. As these didn't raise concerns that the lending was unaffordable, I do not find I have enough to uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 4 January 2024.

Jane Archer
Ombudsman