

The complaint

Miss K complains that Lloyds bank PLC lent irresponsibly when it approved her overdraft application and later went on to increase the limit.

What happened

Miss K had a current account with Lloyds and on 11 June 2020 applied for an overdraft facility. Miss K made three applications on the same day. The first was for £750, the second was for £1,390 and the third was for £1,500.

Lloyds says the overdraft applications were all assessed online by its system. In support of her applications, Miss K said she was earning £1,800 a month with housing costs of £425. Lloyds says it carried out a credit search and found Miss K had around £320 of monthly credit commitments. Lloyds also used essential living costs of £374 for other day to day expenses. Lloyds says the application data indicated Miss K had around £680 a month as disposable income.

Lloyds applied its lending criteria to the applications and approved an overdraft facility with a limit of £1,500.

On 22 June 2020 Miss K applied for an increase to her overdraft facility, taking it to £1,600. Again, Lloyds says it reviewed the available information supplied by Miss K and looked at her credit file before deciding to approve the increase.

During 2022 Miss K's payments from her job stopped crediting her Lloyds account. Lloyds ultimately closed the account and recorded a default on Miss K's credit file.

Miss K complained that Lloyds had lent irresponsibly when it approved her overdraft application and increased the credit limit on multiple occasions. Lloyds sent Miss K a final response but didn't agree it had lent irresponsibly. Lloyds said it had carried out the relevant checks before deciding whether to approve the overdraft and later increase it by £100 to £1,600.

An investigator at this service looked at Miss K's case. They thought Lloyds had dealt with Miss K's complaint fairly and didn't ask it to do anything else. Miss K asked to appeal and said Lloyds was giving an incorrect address to one of the credit reference agencies and that it had allowed her to increase the overdraft facility multiple times in quick succession. As Miss K 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.

In this case, Miss K completed three applications for an overdraft facility on 11 June 2020. As I've noted above, Miss K gave Lloyds information about her income and regular outgoings. I've looked at Miss K's bank statements covering the period in question and I can see her income was broadly in line with the figure she gave Lloyds. And I think Lloyds reasonably took housing costs of £425 plus general living expenses of £374 into account when considering whether to proceed.

Lloyds also looked at the information on Miss K's credit file. I've seen the results and whilst Lloyds did find evidence of historic defaults, they were over three years old at the point Miss K applied. Lloyds took Miss K's monthly cost of paying her credit commitments into account when applying its lending criteria.

Lloyds says that based on the information Miss K supplied and her credit file, she had around £680 in disposable income each month. And Lloyds has confirmed Miss K's application was correctly applied in line with its lending criteria.

I understand Miss K made three applications in one day, taking the overdraft limit to £1,500. But I'm not persuaded that doing so was sufficient to cause Lloyds to decline to proceed. I'm satisfied that Lloyds did carry out reasonable and proportionate checks when it approved the overdraft limit of £1,500 on 11 June 2020.

Miss K applied for an increase to £1,600 on 22 June 2020. Again, Lloyds has provided evidence to show it considered the information Miss K supplied in the application and looked at her credit file. Lloyds has confirmed the overdraft extension was approved in line with its lending criteria. I appreciate the increase was requested a short time after the original applications were made. But I'm satisfied the amount of the increase was modest and that Lloyds carried out reasonable checks, in line with what we'd normally expect, before deciding to proceed.

In Miss K's response to the investigator, she said Lloyds had increased her overdraft facility on multiple occasions. But the overdraft limit was approved at £1,500 on 11 June 2020 and increased to £1,600 on 22 June 2020. I haven't seen evidence of further increases above that figure on Miss K's bank statements.

Miss K recently sent us a copy of her credit file. Whilst I can see there are defaults showing, they appear to date from the period after Miss K's overdraft was approved. And whilst I can see Miss K did have outstanding credit with other businesses when her applications to Lloyds were made, I'm satisfied they were factored into the lending assessments.

I'm very sorry to disappoint Miss K but I haven't been persuaded that Lloyds lent irresponsibly in this case.

When Lloyds responded to Miss K's complaint it wrote to the wrong address. A follow up final response awarded Miss K £200 for the mistake and inconvenience caused. I'm satisfied £200 fairly reflects Lloyds' error, so I'm not telling it to do anything else. In response to the investigator's findings, Miss K said Lloyds was reporting the wrong address to a credit reference agency. As that doesn't form part of this complaint, I can't comment in this

decision. But if Miss K's address isn't being correctly recorded she can contact Lloyds to ask it to investigate.

As I'm satisfied Lloyds dealt with Miss K's complaint fairly I'm not telling it to do anything else.

My final decision

My decision is that I don't uphold Miss K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 10 August 2023.

Marco Manente
Ombudsman