

## **The complaint**

Miss C complains that Lloyds Bank PLC was irresponsible in its lending to her.

## **What happened**

Miss C was provided with a £9,200 loan in 2018. The loan was repayable over 84 months with monthly repayments of around £186. Miss C says that she has five children, three with additional needs and that the loan repayments aren't affordable. She says she is having to borrow to make her repayments.

Lloyds issued a final response letter not upholding Miss C's complaint. It said that when Miss C applied for the loan it carried out credit and affordability checks. It said Miss C provided her monthly income and share of housing costs and it used this along with the information from the credit reference agencies and an estimate of living costs to assess Miss C's costs. It said Miss C passed its checks and so the loan was provided.

Our investigator didn't uphold this complaint. Although she thought further verification should have taken place of Miss C's income and expenses before the loan was provided, she thought that had this happened it wouldn't have changed the decision that the loan was affordable.

Miss C didn't agree with our investigator's view. She said she was borrowing every month to make her repayments.

## **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.

As our investigator explained, Lloyds was required to undertake reasonable creditworthiness and affordability checks. There is not a specific set of checks that are required and what is proportionate depends on things like – but not limited to – the size of the loan, the repayments, what the lender knew about the consumer, and the things the consumer told it about their circumstances.

In this case, as part of the application process Miss C was asked about her income and housing costs. She is recorded as being a homemaker with four dependents with a monthly income of £1,272 and no housing costs. Lloyds carried out a credit check which showed Miss C had no accounts in default or county court judgements. Her total unsecured credit commitments at the time were £724.

I do not find that the credit search raised concerns about Miss C's financial situation. But, considering the size of the loan and its term against Miss C's income, that she had four dependents and there being no amount included for housing costs in the application, I think further checks should have taken place to verify Miss C's income and expenses to ensure the repayments would be affordable.

I have looked through Miss C's bank statements from the months leading up to the loan. These show she was receiving regular income from benefits and child maintenance. The income was in line with the amount she had declared on her application form. I have looked through her account statements and Miss C was maintaining her account and I cannot see any evidence of payments for housing costs. There are payments for utilities, communications and towards another credit commitment. However, taking these into account against Miss C's income I do not find I can say the repayments of around £186 should have been considered unaffordable.

I also note that Miss C raised concerns about the interest rate charged on the loan. Lloyds has explained how the interest rate is applied to the loan balance and that the interest has been applied correctly. I have nothing to suggest this isn't the case. Therefore, I do not uphold this part of her complaint.

I understand my decision will be disappointing for Miss C but having considered the evidence that would have been available through further checks at the time of application, I do not find I can say Lloyds was wrong to provide the loan. I note Miss C's comments about struggling to make her repayments. If Miss C is struggling financially, she should contact Lloyds and we would expect it to treat her positively and sympathetically.

### **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 Miss C to accept or reject my decision before 27 September 2023.

Jane Archer  
**Ombudsman**