

The complaint

Mrs H says Lloyds Bank PLC irresponsibly lent to her.

What happened

Mrs H says Lloyds gave her a five-year graduate loan for £10,000 in June 1999. Lloyds cannot confirm the terms or price of the loan, but thinks it was possible to defer the first payment. The loan was closed in February 2004.

Mrs H says as soon as she became aware of the practice of irresponsible lending in August 2023, she raised a complaint. She says the lender did not complete adequate checks to ensure she could repay the loan, and she already had another student loan from a different bank. Plus, she was a student and only working part-time so it was never affordable.

By the end of 2005 she had 31 creditors and owed £155,000 of unsecured debt. She entered into a debt management plan (DMP) in early 2006.

Lloyds initially said Mrs H's complaint could not be considered as she had brought it outside the time limits set by the regulator that this service must adhere to.

Our investigator set out the reasons why we could investigate the merits of Mrs H's complaint. Following this, Lloyds consented to us looking at it, but explained that due to the age of the account it has no information about the loan, the checks that were completed, or the results.

Our investigator did not uphold Mrs H's complaint. She said without details of the checks completed at the time of the loan application she could not fairly find Lloyds to be at fault. She noted Mrs H had provided a copy of a credit card application made to a different lender dated September 1999, her credit file from 2004 and details of the creditors in her DMP, but explained why this information did not assist her to know if Lloyds had lent irresponsibly in June 1999.

Mrs H disagreed with this assessment and asked for an ombudsman's review. She said her broader circumstances should be taken not account. Her DMP illustrates just how many agreements she had in place and this service's guidelines say more thorough checks should be done the greater the number and frequency of loans.

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.

The Office of Fair Trading (OFT) was the regulator when Mrs H applied for this credit card. The Consumer Credit Act 1974 set out the factors the OFT needed to consider when looking at how businesses lent to its customers, and it stipulated that the lender needed to assess the consumer's creditworthiness using both information supplied by the applicant as well as data obtained from a credit reference agency.

Lloyds has been unable to provide any information about the loan and what checks were done at the time of account opening. It is not surprising or unreasonable that Lloyds has no evidence to share given the age of the account. This means I cannot know if the checks carried out were proportionate.

In such cases we can consider other sources of information from the date of the event (eg. bank statements, payslips or credit files) that indicate what proportionate checks would have shown the lender.

Mrs H provided a copy of her credit file from 2004 and it seems that in June 1999 she had nine active accounts (four credit cards that were opened in 1997, and one credit card and four mail order accounts that were opened in 1999). I do not know the limits or balances of any of the accounts so I cannot know the overall cost of credit to Mrs H. So whilst I accept she had a number of accounts, without knowing the credit lines they provided and how she was managing the debt, I cannot fairly say this evidences Lloyds was wrong to approve her loan application.

The other credit card application Mrs H provided shows she declared she was employed full-time by September 1999 with a gross annual income of £15,264. As Lloyds suggests the first repayment of this loan could be deferred, it seems likely to me Mrs H would have been employed, or was about to be, by the time she started to make the repayments of this graduate loan. And I think it's fair to assume Lloyds approved her application on this basis.

The other student loan Mrs H refers to does not appear on her 2004 credit file so any credit check Lloyds completed may not have shown this debt, or it may have been settled by June 1999. Equally, I have no evidence to show that its existence (if there was overlap) meant Lloyds ought not to have provided a graduate loan to Mrs H.

I note Mrs H would like more weight to be placed on her DMP and the amount of debt placed into that plan in 2006. But I cannot fairly rely on a 2006 summary of creditors to know what Lloyds most likely learnt in 1999. For me to come to a decision as to whether Lloyds lent irresponsibly, or not, I need to see the information it saw at the time for Mrs H – or a proxy for what it would have seen had it completed proportionate checks (in the scenario where it hadn't). And this just isn't possible in this case given the time since the event.

It follows I can't fairly conclude Lloyds was wrong to lend to Mrs H. So I am not instructing it to take any action.

I am sorry to hear about Mrs H's challenging situation. I can see how difficult things have been for her and her family over the years. I hope she now has the support she needs. I anticipate she will be disappointed by my decision, but I hope she can see why it is the only fair conclusion I can reach based on the available evidence, and we are an evidence-based service.

My final decision

I am not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 9 April 2024.

Rebecca Connelley
Ombudsman

