

The complaint

Mr I complains that Lloyds Bank PLC irresponsibly lent to him.

What happened

I issued a provisional decision where I set out a detailed background to this complaint, so I won't repeat the background here. My provisional decision forms part of this final decision and should be read alongside it. I gave both parties an opportunity to provide further comments and evidence before I made my final decision.

The findings in my provisional decision are set out below in smaller font and italics.

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about unsecured lending - including all of the relevant rules, guidance and good industry practice - on our website.

Lloyds needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr I could afford the loan repayments when they fell due. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. Lloyds also needed to react to what it knew about Mr I before lending.

It is not in dispute that Lloyds lent to Mr I when it shouldn't have, Lloyds have accepted this. What remains in dispute is what is the fair and reasonable way to put things right for Mr I. Mr I has said the loan should be written off and removed from his credit file as well.

I've considered all the information here carefully. It is clear Mr I was gambling significantly in the run up to this loan, his finances weren't a picture of health and Lloyds as a responsible lender and the bank he held his current account with, should have seen this and not lent. Lloyds has accepted this. Mr I has also said this loan has caused his trouble and upset.

I've thought about the fair way to put things right for Mr I and from what I've seen, Lloyds need to put Mr I in the position he'd have been had he not been approved for this loan. In this instance, it has refunded the interest charged and stopped charging further interest on the loan which will ensure Mr I only repays the loan amount of £19,200. This is line with what this service will require in similar circumstances.

Looking at the overall circumstances of the lending, I don't think it will be fair in these for Lloyds to write off the loan. I say this because although the lending was irresponsible, it wasn't to the degree that it became reckless. There was some information on Mr I's application which on the face of it made the loan affordable, but Lloyds' failure was in not reacting to the information it already held about Mr I – namely his gambling which was evident on his bank statements, this was irresponsible. So, while Mr I wants the loan written off, I think it's fair he repays the capital in this instance.

In relation to Mr I's credit file, he is entitled to have adverse information removed from his credit file, however, as the loan capital hasn't been fully repaid, this credit file should be amended to remove the adverse information once Mr I has repaid the capital amount he

borrowed. This is because the credit file needs to be accurately recorded and removing adverse information from his credit file at this stage will suggest he has repaid the loan without difficulties. Also, removing the loan in its entirety will be inaccurate as Mr I borrowed the loan, and I don't think the presence of the loan on his credit file itself is adverse information.

Mr I has stated clearly that he is struggling to repay this loan and Lloyds is under an obligation to treat him positively in these circumstances, I'd expect Lloyds to agree forbearance for him to assist him with his financial difficulty in line with regulatory requirements. I appreciate Lloyds has passed the debt to recoveries, but it needs to work with Mr I to agree a suitable repayment in the circumstances. Lloyds should buy the debt back if possible or liaise with the debt purchaser to ensure Mr I doesn't pay more than the capital amount he borrowed, agree a suitable repayment plan with Mr I and remove adverse information from Mr I's credit file once he repays the capital he borrowed.

I appreciate Mr I has had a difficult time with repaying this loan and with his finances and I can understand why he wants the debt written off, but I hope my explanation helps him understand why I've reached the conclusions I have. If Mr I requires help with his gambling, I'd encourage him to contact Lloyds and they should be able to signpost him to available help."

Both parties have now responded to my provisional decision. Mr I has responded to say he understands the decision but due to the nominal amount he's repaying on the loan, it will take a long time to repay it and the default staying on his account till then will be longer than six years and disadvantageous to him. Mr I either wants the default removed now or for it to fall off his credit file naturally after six years. Lloyds agrees Mr I is entitled to have his credit file corrected and has said it will correct it once Mr I repays the loan.

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.

I've again reconsidered this complaint and the responses by both Mr I and Lloyds bank.

As explained in my provisional decision, I didn't think the information should be completely removed from Mr I's credit file as this stage due to making sure the reporting is accurate. Given the circumstances here, I don't think it is fair and reasonable for the default to be removed from Mr I's credit file now.

However, Mr I has a point about the length of time the default will stay on his file. He has said he's currently paying £20 towards the debt monthly and it will take a long time for this to be repaid so waiting for the full repayment of the loan will mean the default will stay on his credit file longer than six years.

The default on Mr I's credit file will naturally fall off after six years of reporting, Lloyds confirmed this in its default letter. Also, it is the case that the default ceases to report on the credit file after six years even if it hasn't been fully repaid.

Lloyds has taken the necessary steps to put things right by refunding the interest and charges on Mr I's loan and it appears the debt purchaser has agreed a repayment plan. So, I won't be asking it to do anything further in that regard but will give it directions about how to deal with Mr I's credit file.

Putting things right

To put things right in relation to Mr I's credit file, if Mr I fully repays the loan within six years

of the default, then Lloyds should remove the default from Mr I's credit file at that point. However, if Mr I is unable to repay the loan within six years of the default as he says is likely, then Lloyds should allow the default fall off automatically from Mr I's credit file at the end of the six years. The default shouldn't continue to report on Mr I's credit file after six years even if he hasn't fully repaid the loan.

I'd also remind Lloyds to continue to treat Mr I with forbearance due to his financial difficulties.

My final decision

For the reasons given above, I uphold Mr I's complaint in part and direct Lloyds Bank PLC to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 15 April 2024.

Oyetola Oduola
Ombudsman