

The complaint

Mr C complains that Bank of Scotland plc trading as Halifax (Halifax) lent to him irresponsibly over the last 10 years or so.

What happened

Our investigator's background summary covered all the relevant facts and issues, and is known to both Mr C and Halifax, so there is no need for me to repeat it here in any great detail. Instead I will focus on giving the reasons for my decision. So, if I've not mentioned something it's not because I've ignored it, rather it's because I don't think it's of direct relevance to the issues I need to deal with.

Mr C said he has been banking with Halifax since 2008 when he obtained a current account. The initial overdraft limit on his current account was increased to £5,000 over the next 3-4 years. In 2013 he said he was granted a credit card with an initial limit which was increased from £1,000 to £2,000. He also said that he was granted a loan in 2016 at a time when Halifax should have been able to see that his existing level of debt was not affordable. Mr C complains that it ought to have been apparent to Halifax that he was unable to afford the loans and credit advanced to him, as they had access to and could see all his income and expenditure information, and also because he had been required to take payment holidays on his loan on multiple occasions.

Halifax said that the credit card account was opened by Mr C with a £2,000 credit limit and although Mr C had requested increases to that limit, Halifax had declined them all. They said Mr C maintained his account within its limit and payments to it were made by direct debit. Halifax have also said that with regard to the overdraft limit, this was increased in 2015 from £3,750 to £5,000 and at that time large credits were being received each month from a third party, which had been the case since 2013. They said the account was being run well, and they had no cause for concern at that time, and they were unaware Mr C was facing financial difficulties or that he had a gambling problem, because he hadn't shared that information with them. Halifax rejected Mr C's complaint.

Mr C was unhappy with Halifax's final response and so brought the complaint to this service and our investigator looked into it. Having done so, the investigator found that some of the complaints were out of time, and that this service could only look at matters from August 2013 onwards. Of the complaints which this service could look into, he didn't think that Halifax had done anything wrong. Mr C didn't agree with that and asked that the complaint be passed to an Ombudsman for a final 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.

The role of the Financial Ombudsman Service is to mediate individual disputes between consumers and businesses, and to award redress where it is appropriate.

I have taken into account both sides' views in considering whether Halifax acted fairly and reasonably. I've looked at the issues raised and considered all the available evidence. Where evidence is not complete, I think about what is more likely to have happened in the light of the evidence which is available. I have to make an independent decision about what I think is right for each case, and that's what I've done here. And in this case, I don't think that Halifax has done anything wrong. I'll explain why.

Our investigator correctly identified that there are some areas of Mr C's complaint we can't look at because they have been brought to us out of time. The Dispute Resolution Rules (DISP), which from part of the Financial Conduct Authority's handbook (a financial services' regulator), govern what we can and can't consider. As part of this, one of the things we have to consider is whether the complaint was brought in time.

DISP 2.8.2 states: "*The Ombudsman cannot consider a complaint if the complainant refers it to the Financial Ombudsman Service:*

(2) more than:

(a) six years after the event complained of; or (if later)

(b) three years from the date on which the complainant became aware (or ought reasonably to have become aware) that he had cause for complaint;

unless the complainant referred the complaint to the respondent or to the Ombudsman within that period and has a written acknowledgement or some other record of the complaint having been received; unless:

(3) in the view of the Ombudsman, the failure to comply with the time limits in DISP 2.8.2 R or DISP 2.8.7 R was as a result of exceptional circumstances;"

Applying this rule, it's clear to me on the evidence I've seen that Mr C ought reasonably to have been aware that the matters he now complains of were known to him by August 2013. I therefore agree that only those activities which occurred after that date can be considered by this service.

The first issue is Mr C's credit card and its limit increases. Mr C has described the increases but has provided no evidence in support of that view, whereas Halifax said their records indicate it was opened with the credit limit of £2,000 and not increased thereafter. So, on the balance of probabilities, I think it is likely that Mr C is mistaken in his belief that increases were granted to him, as Halifax's records are likely to be more reliable, in the absence of any other evidence, than Mr C's memory. It follows that Halifax haven't acted unfairly in refusing him the increases.

After August 2013 Halifax granted only 1 increase to Mr C's overdraft. Whilst I appreciate Mr C says he was facing financial difficulties, this was not known to Halifax as he had not told them. In the absence of that information, Halifax were able to see was that he was operating his account within the overdraft limit and he had large credits being applied to his account regularly. I've also considered, alongside this, the loan that Halifax granted to Mr C in 2016.

The Lending Code requires a business to assess whether a borrower will be able to repay any borrowing in a sustainable manner, by considering information from Credit Reference

Agencies (CRAs), including existing financial commitments where provided, as well as the following, as appropriate:

- The type and amount of credit being sought.
- How the customer has handled their finances in the past;
- Any internal credit scoring techniques;
- The customer's declared income;
- Why the customer wants to borrow the money and for how long; and
- Any security provided

But there isn't a set list of checks which Halifax had to do. I've asked Halifax to explain the basis on which they decided to grant the overdraft increase and the loan, and they have told me it was based on information supplied by Mr C, data from the credit reference agencies and their own risk strategies.

Businesses aren't required to cross check a customer's declared income, or obtain proof of income when agreeing unsecured borrowing, and they are entitled to rely on their customers to provide accurate information about their income and expenditure.

They say their own Credit Decisioning System (CDS) considered the applications by referencing the data from the CRAs and Mr C's declared income. I think that's a reasonable explanation. It's for Halifax as a business to decide who they extend credit to and on what basis. What I'd expect is for them to perform enough checks before they do so. Based on the information available to me, I'm satisfied they did that here.

So, although Mr C will probably be disappointed with my decision, I can't say Halifax has acted unfairly or unreasonably here and I'm not upholding this complaint.

My final decision

For the reasons set out above I do not uphold the complaint against Bank of Scotland plc trading as Halifax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 July 2020.

Jonathan Willis
Ombudsman