

The complaint

Mr G's mother, Mrs G, complains on her son's behalf that the Bank of Scotland plc (BOS) allowed her son to open a bank account with them and a short while later obtain an overdraft, which was increased the following day, without carrying out sufficient checks as to whether he was able to afford it. She feels BOS have been irresponsible in their lending.

What happened

Our investigator has set out the background to this complaint in their 'view', which covers the relevant history. In these circumstances I will not therefore repeat it but provide a short summary. The relevant chronology is thus; Mr G opened a Classic bank account online on the 6 November 2018. On the 23 November he applied for and was granted a £500 overdraft. That was increased to £700 the following day. Both applications were made online.

Mr G was experiencing financial difficulties as a result of his gambling, and Mrs G assisted him by paying off his debt to BOS on the 1 May 2019. The account was then closed. Upon receipt of Mr G's complaint, BOS denied they had been irresponsible, but offered to refund the bank charges totalling £100.50. Mrs G didn't accept that and asked this service to see if we could assist in resolving the dispute. An investigator looked into the complaint, and having done so, came to the conclusion that BOS hadn't done anything wrong.

As Mrs G didn't agree with our investigator's view she asked for the complaint to be passed to an Ombudsman for a final decision and in due course it was passed to me.

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.

At the outset I feel I should clarify that any overall concerns about 'business process' would need to be raised with The Financial Conduct Authority (FCA). They take a principles-based approach to conduct regulation, letting businesses choose how they incorporate those principles into the way they deal with customers. This is reflected in the remit the FCA has given this service under the Dispute Rules in the FCA Handbook. Our service doesn't have the power to make rules for financial businesses, assess or direct that they change their policy or procedures, or indeed punish them. We only look at what happened in the circumstances of an individual complaint and check that BOS followed its rules and procedures and is applying them fairly to all customers.

On his application form to open the account, Mr G declared that he had a monthly income of £1,300, mortgage/rent of £340 pcm and outgoings of £340 pcm. There were no other financial commitments declared. Mr G did however declare savings of £12,500. When making his application for the overdrafts the application reveals the same data, save that his savings are not displayed. I do not know whether that is because the screen shot I have, has omitted it, or the system hasn't reproduced it. Nevertheless, I take note that the declaration as to savings was made only 17 days earlier.

Both applications for the overdrafts were credit checked with Credit Reference Agencies (CRAs), as evidenced by the credit scoring data BOS has produced. 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. There is no evidence to show that BOS knew of Mr G's gambling problem, or that he told them he was in financial difficulty. And neither came to light as part of their checks. So I don't think it's reasonable to expect them to have known of this information at the time of his applications.

What the Lending Code requires, is that a business assesses whether a borrower will be able to repay their borrowing in a sustainable manner, by considering information from CRAs, including existing financial commitments, where provided, as well as that listed below, but there's no set check list which a business is required to adhere to.

- 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

BOS say their decision to offer the overdrafts to Mr G credit was based on information supplied by him, data from the credit reference agencies and their own risk strategies. They say they completed various checks including affordability and indebtedness checks before approving his applications. I'm satisfied from the evidence I have seen that BOS acted responsibly in carrying out their checks for this modest overdraft.

Mrs G has raised the point that there was no evidence of any income going into Mr G's account prior to the granting of and the increasing of his overdraft. But I don't think that matters here, because these were online applications for modest overdraft levels and based on Mr G's declared income. And the increases were granted prior to receipt of his salary and based on the expectation it would be received. So, I think that it was reasonable for BOS to be able to rely on the information Mr G was providing. So, although both Mrs G and Mr G will probably be disappointed with my decision, I can't say BOS 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. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 29 July 2020.

Jonathan Willis
Ombudsman