DRN-2602894

The complaint

Miss S complains that Bank of Scotland plc trading as Halifax (Halifax) lent to her irresponsibly.

What happened

Miss S opened a credit card with Halifax in April 2016 on an interest free deal. Her limits were as follows:

Date	Limit
April 2016	£1000
June 2016	£1500
January 2017	£3500
October 2018	£2700
September 2019	£2650

The increases were proactively offered by Halifax. In September 2016, she missed a payment. The interest free agreement stopped.

Miss S complained that Halifax shouldn't have increased her credit limits – she had just gone over her limit when the increase to £3,500 was made in January 2017. As a result, she now had a large debt to pay off. This was her first credit card.

Halifax said Miss S missed a payment in September 2016 – so this meant the promotional offer of 0% interest was cancelled. At the time of the increase of limit to £3500, Halifax wrote to Miss S and said she could opt out of this if she wanted to – but she didn't. She met their lending criteria at the time. There had been a small number of late payments – but nothing that showed Miss S was in trouble. As a gesture of goodwill, they waived interest on the card account for three months from February 2020.

Miss M brought her complaint to this service. Our investigator looked at what had happened. He said Halifax had acted reasonably. Interest had become payable because of the missed payment. When Miss S first took the card, a limit of £1,000 was reasonable, as was the increase to £1,500. She was earning a salary of £18,000 a year and was living with her parents, so didn't have a mortgage or rent to pay. There were little or no other debts. When Halifax offered to increase her limit to £1,500 in June 2016, they wrote to Miss S and said she could opt out if she wished. He'd looked at the bigger increase to £3,500 in detail – as she'd just missed a payment. Miss S passed Halifax's credit score, and there was no adverse credit information showing on other debts. He'd seen Halifax's analysis of her income and expenditure. Even though Miss S's income later went down to £12,000 per annum, she still passed Halifax's affordability criteria. Miss S was making more than the minimum payments each month, and there were no obvious problems with meeting payments on her other debts.

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.

Miss S says that Halifax shouldn’t have increased her limits. Her income had gone down, and she was struggling as a result. She now finds herself with a large debt to repay, which she says is unfair.

My role here is to decide whether Halifax did lend to Miss S irresponsibly.

When Miss S missed a payment in September 2016, this meant that the interest-free deal ended. It’s normal for lenders to do this. I can see that Halifax looked at Miss S’s income and expenditure when they offered to increase her limits – I looked especially at the large increase to £3,500 in January 2017. In May 2016, she’d told Halifax she was earning £18,450 per annum – about £1,400 per month net of tax. Her housing costs were £270 per month, essential living costs £300 per month, and other debt repayments were £54 per month. So, the limit increase looked affordable. Halifax told us that Miss S’s annual income later dropped to £12,756 in May 2017 – but even then, the debt looked affordable. Particularly as Miss S lived at home with her parents. They’d looked at credit reference agency data – and this showed no problems of late payments or defaults with other lenders. So, on this basis, it looks like Halifax didn’t do anything wrong.

I’ve looked at Miss S’s credit card statements from when the card account was opened in 2016 up to 2020. Looking at the time between 2016 and the limit increase to £3,500 in January 2017- apart from one late payment in September 2016 (which Miss S says was a mistake by her) - there weren’t any late payments or times when she went over her limit. And she always paid much more than the minimum amount each month. Miss S has showed us her credit report – and this shows there were few other debts at that time. I can also see from the statements that Miss S’s spending was mainly on retail goods (rather than household essentials) – so, in other words, if she found herself in difficulty, she could probably have stopped or reduced her outgoings. Halifax told us that when the increases in limits were offered – they included an opt-out in their letter. But Miss S didn’t decline the offers. So, there were no obvious reasons why Halifax shouldn’t have increased the limit to £3,500 – as all looked ok.

I can see that things did get worse for Miss S later – after the increase in limit. In 2018, there were late payments occurring and she went over her limit. There was other borrowing taken with other lenders. But – Halifax could only be expected to make a decision on what they knew in December 2016/January 2017.

I was sorry to learn that Miss S is now struggling to pay off her debt with Halifax, especially as this was her first credit card. It was good to see that Halifax gave her a three-month interest free period in 2020 – which must have helped. I hope that things have become easier for her. But – and I’m sure that this will be disappointing for Miss S, I don’t think Halifax did anything wrong here, and I won’t be asking them to do anymore.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 15 April 2021.

Martin Lord
Ombudsman