

The complaint

Ms M is unhappy because Bank of Scotland plc trading as Halifax (“Halifax”) declined her request for a £50 overdraft.

What happened

Ms M asked Halifax for a £50 overdraft in August 2020, and Halifax declined her request.

Ms M wasn’t happy and complained to Halifax. Halifax didn’t uphold her complaint and said in its final response that information on Ms M’s credit file appeared to have contributed to the decision.

Ms M then brought her case to this service.

Our investigator reviewed her case but wasn’t able to consider information on Ms M’s credit file as this was not available to him. But he could see that Ms M had missed payments to a debt charity in February and March 2020 and thought this might have impacted Ms M’s credit file.

He referred to information on the debt charity’s website that explained that if some-one is on a debt management plan, it’s likely that their credit file would be impacted, and that missed payments before the plan started could also have an adverse impact.

While he couldn’t see whether Ms M’s file contained any adverse information, based on what he could see from other sources of information, he didn’t think Halifax had acted unfairly. He noted that Halifax would use its own lending criteria to decide whether to offer credit, and that it was entitled to exercise its own commercial judgment in doing so.

He didn’t uphold Ms M’s complaint.

Following a conversation after this with Ms M, our investigator looked into the circumstances of the missed payments he’d referred to in his view. Halifax said that Ms M had cancelled the payments in those two months, and Ms M confirmed this, and said that the debt charity had understood her position.

This didn’t change the investigator’s view.

Ms M wasn’t happy with this, so the case has come to me to decide.

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.

Halifax declined Ms M’s application for a £50 overdraft in August 2020 and said that its decision was contributed to by information on her credit file. Halifax is entitled to apply its

own lending policy so long as it does so fairly, and I haven't seen any evidence to suggest that this wasn't the case here.

I have thought about what may have caused the issue with Ms M's credit file, though I wasn't able to confirm this. Ms M didn't wish to check her report because she said she didn't have any other accounts and felt strongly that she wasn't a bad debtor. Our investigator tried to obtain a report from a credit reference agency, but due to the impact of Covid, it wasn't able to assist.

Ms M told our investigator that she'd been making payments to a debt charity for several years and I can see payments to it reflected in her account statements. I can also see that she missed two successive payments in early 2020. This would have meant that payments to Ms M's creditors under her debt management plan would also have been missed. Ms M says that the debt charity understood that she couldn't make payment in those two months. But this wouldn't necessarily have affected what Ms M's debt management plan creditors recorded. So, I think it's possible that missing these payments may have impacted Ms M's credit file – but without seeing it, I can't confirm this.

The debt charity's website contains information that indicates that as Ms M was on a debt management plan, it was likely that there would be adverse information on her credit file.

“Being on a debt management plan (DMP) will almost always affect your credit file and score. This is because you could be paying less than the minimum repayment amount you agreed to when you initially took the debts out.”

“If you do need to take out a new credit agreement the lender will run a credit check. And because making reduced payments impacts your credit file, you may be charged a higher interest rate or refused credit altogether.”

While this information isn't specific to Ms M, it does show how her financial arrangements may have had an adverse impact on her credit file.

As I've said, Halifax is entitled to set its own lending criteria, and in this case, as far as I can see, it applied those criteria to Ms M, so I don't think it treated her differently.

Taking account of all of this, I can't say that Halifax has acted unfairly, and I won't be asking it to do anything.

I know Ms M will find this disappointing, but I hope she can understand my reasons

My final decision

My final decision is that I don't uphold this complaint.

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

Rosemary Campbell
Ombudsman