

## **The complaint**

Mr M has complained that Bank of Scotland plc (trading as Halifax) irresponsibly increased his overdraft limit. He says that Halifax ought to have realised that he had a gambling problem, and that he would therefore struggle to repay the overdraft.

## **What happened**

Mr M held a student account with Halifax. Over the years Mr M's overdraft limit was increased and decreased on several occasions. In 2017 the overdraft limit was increased to the maximum allowed for his type of account, £1,500.

In 2020, Mr M complained that Halifax irresponsibly lent to him. Halifax didn't think that it had done anything wrong and so didn't uphold Mr M's complaint about irresponsible lending. Mr M remained dissatisfied and referred his complaint to our service.

One of our adjudicators looked at this complaint and thought that Halifax should not have increased Mr M's overdraft to £1,500 in 2017 given Mr M's circumstances at the time. As Mr M's account was a student account he hadn't incurred any fees or charges on his overdraft. But the adjudicator still felt Halifax needed to do something to recognise that lending Mr M additional funds via his overdraft had fuelled his gambling problem, so she recommended that Halifax pay Mr M £100 to recognise the additional difficulties he'd been caused by what she considered to be irresponsible lending. Halifax didn't respond, so the complaint has been passed 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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. Halifax needed to make sure that it didn't lend irresponsibly. In practice, what this means is Halifax needed to carry out proportionate checks to be able to understand whether Mr M would be able to repay what he was being lent before providing any credit to him. Our website also sets out what we typically think about when deciding whether a lender's checks were proportionate. I've kept this all in mind when looking at Mr M's complaint.

Halifax has argued that, due to the type of account Mr M held, it carried out less stringent checks when he applied for increases to his overdraft limit. It says Mr M's income and expenditure didn't suggest he'd struggle to repay the overdraft limit, that he passed credit checks, and that his gambling was not severe enough to flag as a cause for concern at the time of the overdraft increase in 2017. And, in these circumstances, it says it was reasonable to lend.

I've carefully thought about what Mr M and Halifax have said, but I'm not satisfied that Halifax's affordability checks were proportionate in Mr M's circumstances. Specifically I'm concerned by the emerging pattern of Mr M using his overdraft to gamble in the months

before the overdraft increase was agreed. A cursory look at Mr M's statements show that he was gambling significant sums in the lead up to the overdraft application. I think if Halifax had looked at Mr M's statements before approving the overdraft increase it could have identified that there was a significant risk Mr M might have struggled to sustainably repay his overdraft without undue difficulty or borrowing further.

Bearing this in mind, I think Halifax should not have increased Mr M's overdraft to £1,500 in August 2017, and I think its decision to do so meant that it increased Mr M's indebtedness in a way that it ought to have realised was unsustainable or otherwise harmful. So I think Halifax treated Mr M unfairly.

### **Putting things right**

Having thought about everything, I think it would be fair and reasonable in all the circumstances of Mr M's complaint for Halifax to put things right by:

- Paying Mr M £100 for the upset caused by it agreeing to lend him more than he could reasonably afford to repay
- Ensuring that it continues to work with Mr M to agree a reasonable repayment plan so that Mr M can repay the overdrawn balance of his account and the overdraft limit can be reduced and – if both Halifax and Mr M agree it is the right course of action – ultimately removed.

### **My final decision**

For the reasons I've explained, I'm upholding Mr M's complaint. Bank of Scotland plc (trading as Halifax) should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 25 October 2021.

Sophie Mitchell  
**Ombudsman**