

The complaint

Mrs G, on behalf of Mr G, has complained that Bank of Scotland Plc trading as Halifax (“Halifax”) irresponsibly lent £7,000 to Mr G, which he then spent on gambling.

Throughout my decision I’ll refer to Mr G, although this also refers to anything Mrs G said on Mr G’s behalf.

What happened

The details of this complaint are well-known to both parties, so I won’t repeat everything here. Instead I’ll provide a brief summary, and then I’ll give the reasons for my decision.

In September 2019 Mr G applied for a £7,000 loan with Halifax via online banking.

In the application Mr G declared his monthly income as £1,709 and the purpose of the loan as being for “Miscellaneous”. The loan repayments were set as £163.58 per month, to be repaid over 48 months.

Mr G complained to Halifax about it granting him the loan. He explained that he suffers with a medical condition for which he takes medication. Mr G explained that the medication is well-known for causing obsessive or compulsive behaviour, which is commonly gambling. So Mr G has complained that he was able to take the loan without Halifax scrutinising the purpose of it or reviewing his existing relationship and spending habits with the bank.

Halifax didn’t uphold the complaint. In its very brief final response letter, it said that it had completed the checks that it needed to, so it was satisfied that it hadn’t lent irresponsibly to Mr G. But it did pay him £50 for the delay in replying to the complaint.

As Mr G was unhappy with Halifax’s response, he referred it to this service.

Our investigator considered the complaint and recommended it should be upheld. He didn’t think Halifax should’ve given the loan to Mr G, so he said Halifax shouldn’t benefit from the lending. He recommended Halifax should refund all of the interest and any applicable charges. Halifax agreed to the investigator’s recommendations, but Mr G didn’t. He explained that had Halifax not granted him the loan, he wouldn’t be in the position he’s in now, repaying it.

As the complaint hasn’t been resolved it has been passed to me to make 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.

Having done so I agree with the outcome the investigator reached, and the way he recommended things should be put right. I’ll explain why.

I’d firstly like to explain that I’m in no way discrediting anything that Mr and Mrs G have said

in relation to this complaint. I certainly understand how frustrating the situation is. But in deciding how to put things right I have to firstly take the point at which things went wrong – and then attempt to look at what would've happened, had they not gone wrong.

Halifax is required to use the information available to it before making an informed lending decision. That includes, but isn't limited to, information available from credit reference agencies, information it gathers by asking its customer, and information it already holds about the customer, for example other accounts.

Having reviewed Mr G's Halifax credit card statements for the months preceding the loan application, it is glaringly obvious that the pattern of spending – almost exclusively on gambling – is not what most people would consider normal or unproblematic. In July and August 2019 alone, there are hundreds of transactions to the same online gambling retailer. And I think it was irresponsible of Halifax to overlook this information, especially given that this was money being spent *on credit*, and not from Mr G's current account.

When Halifax completed its affordability assessment as part of the application process, it took into account over £6000 in gambling proceeds, as opposed to just Mr G's regular pension income. This was a clear anomaly, given that Mr G declared his income on the application as just over £1700 per month, and his actual income in the preceding three months was £736, £1694 and £8670. Whilst excluding the gambling proceeds it still looks as though the loan was affordable for Mr G, I don't think it was responsible for Halifax to overlook this fact – and I think it should've prompted Halifax to ask Mr G more questions or to take a closer look at his finances, at least establish the purpose of the loan.

Although I understand Mr G says he wouldn't have had to repay the debt if Halifax hadn't lent him the money in the first place, the fact remains that Mr G has in fact had the loan and spent it. It's impossible to recreate a scenario in which Mr G had used more or less of the funds for gambling, but it's certainly evident that he used a large part of them for that purpose. I've kept in mind that Mr G is now repaying money he spent without having anything tangible to show for it, but I'm also mindful that Mr G did apply for, and spend, the loan. And I'm not aware that Halifax had any information about Mr G's medical conditions, nor any instruction that it should limit the products or services it offered to Mr G.

I do understand Mr G's likely to be disappointed with my decision here, but for the reasons I've explained, I'm not asking Halifax to write off the loan balance. I don't think it's fair for Halifax to benefit from lending to Mr G, but nor do I think it should lose out. So although I'm not asking Halifax to write off the full balance, I do think the interest charged on the loan, plus any charges, should be refunded.

It follows that I uphold this complaint.

Putting things right

I require Halifax to refund all interest and charges that have been applied to Mr G's loan account. Halifax can reduce the outstanding capital balance by this amount if the loan hasn't been fully repaid yet.

Halifax must also remove any adverse data about the loan from Mr G's credit file.

This award is in addition to the £50 already paid to Mr G for Halifax's delays in handling the complaint.

My final decision

I uphold this complaint and direct Bank of Scotland Plc trading as Halifax to put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 January 2022.

Sam Wade
Ombudsman