

The complaint

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

What happened

In January 2016, Miss R applied for a credit card from Halifax. It was agreed with a limit of £750. Further increases were agreed as follows:

Date	Limit
January 2016	£750 (new card)
October 2016	£1,200 (requested by Miss R)
June 2017	£2,200 (offered by Halifax)

Miss R complained. She said she couldn't afford to repay such a large debt, and Halifax couldn't have carried out sufficient checks. She was on a low income and now couldn't afford to make the payments to the card account. She said she had taken out a lot of other credit and Halifax should've seen this. She confirmed to us that she only wanted to complain about the final increase to £2,200 in June 2017.

Halifax said that Miss R passed their credit checks. These included an assessment of her affordability and the other debts she had. They said she was given the option to opt out of the offered increase in June 2017 but didn't. When Halifax wrote to Miss R in April 2021 – she was then in arrears.

Miss R brought her complaint to us. Our investigator looked into what had happened. He thought Halifax had acted fairly and carried out proportionate checks. He could see that the utilisation of the card was fairly low when he considered the borrowing against the credit limit, and all payments had been made up to the limit increase – and in a number of months, a lot more than the minimum amount had been paid. Miss R had other debts of £6,600 at the time of the increase in June 2017 – and this was manageable. He could see from her credit report that a lot more debt was taken out after the increase – but Halifax couldn't have predicted that.

Miss R didn't agree and asked that an ombudsman look at her complaint.

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.

All lenders have an obligation to lend money responsibly. We must check whether Halifax acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

So - I've considered Miss R's complaint in the light of this guidance. I think it's fair to say that a limit of £2,200 was a fairly modest one – which means that Halifax's checks could be less than for a much higher limit.

I can see that when Miss R applied for the card in 2016, she said she was employed and earning £15,000 a year. She said she was living with her parents and paid no rent – so her situation was good. Halifax had the same information before them when they looked at the increase in June 2017.

Halifax told us that Miss R passed their credit checks when they offered her the increase to £2,200. This included a check on her other debts and their affordability. I can see that there weren't any problems showing up with her other payments – there weren't any arrears or defaults, for example.

I've looked at Miss R's credit card statements with Halifax. These are important as they showed Halifax if she could afford the credit limit. In the five months running up to June 2017, Miss R used less than 40% of her previous credit limit of £1,200. And she made all payments on time – usually she paid off more than the minimum amount each month. In her annual statement for the whole year to February 2017, Miss R spent a total of £4,205 on the card and repaid £3,834. So – she was paying her way. Also, there weren't any late fees or overlimit fees for the year – these would've suggested there were problems, but there weren't. So, all this showed to Halifax – she was maintaining the card account well. So – I can see why Halifax offered the increase.

Miss R says she had other debts so I looked at those also. In her credit report, at the time of the increase in June 2017, she had total other debts of £6,600 with three lenders – but all were being maintained satisfactorily. So – it looked like things were OK at that time, and I

can't say that this showed there were problems which Halifax should've looked into. And – to be fair to Halifax, they could only be expected to make a lending decision based on the information they then had.

I can see from Miss R's credit report that she took on a lot of other debt after the increase from Halifax in June 2017. Between then and October 2021, she took out over £18,000 of additional credit. So – it looks like her problems occurred after Halifax increased her limit – and I can't hold Halifax responsible for what happened after that time.

And so – while I accept that Miss R will be disappointed by my decision, I'm not going to ask Halifax to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 2 March 2022.

Martin Lord
Ombudsman