

## **The complaint**

Mr G is unhappy that the Bank of Scotland plc trading as Halifax declined his application for an overdraft.

## **What happened**

In May 2021, Mr G was looking for a new current account as his existing provider was leaving the current account market. As Halifax was offering a 0% interest on an overdraft for six months when switching current accounts, Mr G applied for a £500 overdraft. But this was declined, he said he then asked for a £100 overdraft, and then a £50 overdraft. Both of these applications were also declined. Mr G complained to Halifax.

Halifax said they'd used internal and external checks to determine whether to accept Mr G's overdraft application. And credit checks, which they said wouldn't have shown on Mr G's credit file. Based on their checks they'd decided to decline Mr G's application(s).

Mr G wasn't happy with their response. He said he'd savings accounts with Halifax and that he hadn't missed any payments for any of his credit commitments. He said he'd later opened a current account with another bank who'd agreed to a £500 overdraft, but this didn't have the 0% interest offer. He referred his complaint to us.

Our investigator said Mr G would have been aware that the acceptance of his overdraft application wasn't guaranteed. And that Halifax had told him they'd declined his application following the affordability checks they'd done.

Mr G didn't agree. He said he'd savings accounts with Halifax and hadn't had any previous issues with being accepted for an overdraft. He asked for his complaint to be referred to an ombudsman to decide.

I issued a provisional decision in February 2022 that said:

## **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'm currently minded to uphold this complaint. I'll explain why.*

*It's at the discretion of Halifax as to whether they will offer a credit facility to a customer who applies for such a facility or not. The Standards of Lending Practice say the customer should be given the primary reason for the declined application. So, what this service would expect would be, if a customer is declined for an applied for overdraft facility, the lender would explain clearly to that customer why their application had been declined.*

*A lender's main responsibility for all customers is to provide a borrower with a product that is affordable and meets their needs. So, I'd expect Halifax to consider internal and external risks which could affect Mr G's ability to repay so that it doesn't lead to unsustainable*

*borrowing for him. This is usually done by carrying out affordability checks. There's no set list for what reasonable and proportionate checks are. One of the checks may be a check with credit reference agencies.*

*And If the customer's application is declined due to information on their credit report, the lender needs to direct the borrower to a copy of their credit report, before making any further applications. Halifax said they'd checked Mr G's credit file but the nature of their checks meant these wouldn't have shown on it. But they haven't said whether these checks highlighted any concerns. And if they had I'd have expected Halifax to have pointed this out to Mr G. But Halifax didn't do this. Mr G has sent us a copy of his credit report, which shows he'd a number of accounts, with a small credit balance of less than £500. There had been several searches carried out, but Mr G had been checking the market for a new current account.*

*Halifax has also said they would consider several factors and told Mr G these would be:*

- *his employment status;*
- *his residential status address;*
- *whether he's kept up with loan or credit card repayments;*
- *how he's managed any previous/existing arranged overdrafts;*
- *the length of time that he's held a current account; and*
- *his current level of borrowing and financial commitments.*

*Halifax told Mr G:*

*"When we are deciding what level of overdraft lending, we can offer a customer, we will use both internal and external credit scores to make this decision"*

*But while Mr G was given an understanding of the above considerations Halifax would make in reaching their decision, I can't see that Mr G was made aware of the primary cause. And by not knowing the reason for his application being declined this has left Mr G frustrated as he said he doesn't know of any reasoning for it.*

*I've asked Halifax to provide further details of the checks that led to their decision not to lend to Mr G, so I could see if Mr G could be given any further clarification about the lending decision reached by them. But due to a technical issue this information isn't available.*

*As I outlined above its not for me to tell Halifax who they should lend to, that is a commercial decision they will take. But I do think Mr G should have been given a better understanding of the primary cause as to why his application was declined. As this wasn't given to him, the situation has caused him some trouble and upset.*

*Both parties accepted my provisional decision and didn't ask me to consider any further comments or evidence.*

**My final decision**

I uphold this complaint. And ask the Bank of Scotland plc trading as Halifax to pay Mr G £150 for trouble and upset

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 4 April 2022.

Anne Scarr  
**Ombudsman**