

The complaint

Mr S is unhappy that Bank of Scotland plc, trading as Halifax, approved him for a loan irresponsibly in 2015 and should have been aware of his gambling addiction at that time.

What happened

In March 2015, Mr S applied to Halifax for a personal loan for £4,000 to be repaid over five years. Mr S's application was approved, and the loan capital was provided to him by Halifax.

In early 2021, Mr S raised a complaint with Halifax because he felt the approval of the loan in 2015 was irresponsible, given his personal and financial circumstances at that time, which included that he was suffering with a gambling addiction which Mr S felt Halifax should have been aware of, had they undertaken checks into his financial position before approving the loan.

Halifax looked at Mr S's complaint. They confirmed they had undertaken checks into his financial position before approving the loan, and they felt there hadn't been anything resulting from those checks that should have given them cause to suspect that Mr S might not have been able to afford the loan or that he might have had a gambling addiction such that the loan shouldn't have been approved.

Mr S wasn't satisfied with Halifax's response, so he referred his complaint to this service. One of our investigators looked at this complaint. But they didn't feel that Halifax had acted unfairly towards Mr S by approving the loan in 2015, and so they didn't uphold the complaint.

Mr S remained dissatisfied, so the matter was escalated to an ombudsman for 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.

It's for a business to decide whether it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new line of credit such as a personal loan, the business would undertake reasonable and proportionate checks to ensure that any credit being offered to a customer is affordable for that customer at that time.

Halifax believe that they did that here, and note that at the time of the application they took information from Mr S directly about his employment status and annual income, as well as obtained information about Mr S from a credit reference agency so as to get a better understanding of his wider financial position. And Halifax maintain that there was nothing resulting from that information that they feel should have given them any reasonable cause to believe that Mr S might not be able to afford the credit he was subsequently approved for.

It's notable that at the point of application, Mr S declared net income of £3,500 per month and advised that his mortgage payment was £773 per month. Additionally, Halifax's credit file checks suggested that Mr S was paying approximately £996 per month towards his other existing credit commitments, and Halifax modelled a figure of £433 per month for Mr S's essential spending. This amounts to a total monthly spend for Mr S of approximately £2,200.

While Mr S's existing credit repayments of £996 a month does seem somewhat high, the total amount of calculated monthly spend is well below the £3,500 net monthly income declared by Mr S. And given that the repayments for the loan were scheduled to be roughly £120 per month, I can understand why Halifax felt that these repayments would in all likelihood be affordable for Mr S given his apparent disposable income of £1,300 per month.

Halifax also said that Mr S's credit file didn't provide any indications of potential financial difficulty such as missed or late payments, regular use of payday loans, or defaulted accounts. Halifax haven't been able to provide a copy of the credit file information they assessed, although this isn't unusual given the length of time that's elapsed since that assessment. And while a review of a copy of Mr S's more recent credit file doesn't provide a full picture of what Halifax would have seen when assessing Mr S's credit file in 2015, there's nothing present on Mr S's more recent credit file that contradicts Halifax's position.

As such, I'm satisfied that there wasn't anything resulting from the checks that Halifax undertook into Mr S's financial position before approving the loan that should reasonably have given them cause to suspect that Mr S might have been struggling financially such that the loan shouldn't have been approved.

I'm aware that Mr S feels that Halifax should have reviewed his current account statements before approving the loan, and that if they had they would have seen a large number of gambling transactions present on those statements which would have alerted them to the gambling addiction that Mr S was suffering with at that time.

I can appreciate Mr S's position here. But Halifax were only required to undertake reasonable and proportionate checks into his financial position before approving the loan. And I'm satisfied that the checks that Halifax did undertake in 2015 were reasonable and proportionate in consideration of the relatively moderate size of the loan that Mr S was applying for at that time.

Had Mr S been applying for a significantly larger amount of credit, or had there been anything resulting from the checks that Halifax did undertake that should reasonably have been of concern, then I would have expected Halifax to have undertaken more detailed checks into Mr S's financial position, almost certainly including a review of Mr S's current account statements.

But as explained, I don't feel that these further checks were incumbent on Halifax in 2015, given the size of the loan being applied for, and given the seemingly unproblematic nature of the information about Mr S's financial position that Halifax had already gathered and assessed.

So, while it may have been the case that a review of Mr S's current account statements by Halifax would have resulted in Mr S's gambling addiction coming to light in 2015, I don't feel that such review of Mr S's current account statements by Halifax was merited at that time.

Consequently, I don't feel that I can fairly or reasonably censure Halifax for not being aware that Mr S might have had a gambling addiction at the time of the loan application, and this is because, as explained, I'm satisfied that there was nothing in the information that Halifax did assess that suggested such a gambling addiction, and because I'm satisfied that it wasn't

incumbent on Halifax to have undertaken any further checks beyond those that they did undertake before approving the loan.

Of course, this isn't to say that Mr S wasn't struggling with a gambling addiction in 2015 such that the receipt of further credit by him at that time wasn't detrimental to him. It's only to say that I don't feel it was unreasonable or unfair that Halifax to have approved Mr S's loan application based on the information they assessed and understood at that time, which unfortunately, but understandably, didn't include that Mr S may have had a gambling addiction.

I realise that this won't be the outcome that Mr S was wanting, but it follows from the above that I won't be upholding this complaint or instructing Halifax to take any further action at this time. I hope that Mr S will understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 August 2022.

Paul Cooper
Ombudsman