

The complaint

Mr E complains that Bank of Scotland plc trading as Halifax ('Halifax') irresponsibly gave him a loan account that he couldn't afford.

What happened

In 2020, Mr E took out a loan for £1,500. The loan funds were paid to reduce the overdraft on a current account.

In 2022, Mr E complained to Halifax to say that the account shouldn't have been opened for him because it wasn't affordable and that Halifax ought to have made a better effort to understand his financial circumstances before doing so.

Our investigator recommended the complaint should not be upheld. Mr E didn't agree. 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.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Halifax will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Mr E's complaint is that Halifax made credit available that was unaffordable. But in this case Halifax was not providing additional credit. In this case Halifax arranged a loan of £1500 to help Mr E reduce his existing overdraft. Halifax has explained that the APR on the overdraft was 49.9% and the APR on the loan was 19.5%. And the loan provided a clear repayment vehicle for the existing borrowing.

In any event, I don't see the provision of the loan as evidence solely of new credit being provided by Halifax, adding to an already pre-existent amount of personal borrowing. Instead, rather than the new credit adding to Mr E's burden of credit, it looks like Mr E was taking steps, that could be termed sensible, to manage his existing debt by taking out this loan and using it to secure more favourable terms to existing credit. I say that because it looks as if Mr E would have been saving money on interest he would have been paying elsewhere as well as giving himself a definite repayment vehicle for existing running debt. So, it doesn't seem automatically unreasonable for Halifax to have facilitated that.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Mr E to the contrary, I have seen insufficient evidence to think that the credit provided by Halifax to Mr E was unreasonable.

I know that Mr E will be disappointed with my decision. But I want Mr E to know that I considered all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 7 June 2023.

Douglas Sayers
Ombudsman