

The complaint

Miss B complains that Bank of Scotland plc trading as Halifax acted irresponsibly by providing her with an overdraft and then increasing the overdraft limit on several occasions.

What happened

Halifax provided Miss B with a £200 overdraft in June 2018. The overdraft limit has been increased on several occasions as well as being reduced on occasions. Miss B says that when she applied for the overdraft her credit file showed she had missed payments, and a history of financial difficulty including payday loans and defaulted accounts. The overdraft limit was then increased several times even though checks would have shown that her debts were increasing. Miss B says that she hasn't been using her overdraft for short term / emergency borrowing and instead the overdraft had become hardcore borrowing. Miss B says the charges applied over the past five years have made her financial situation worse.

Halifax issued a final response letter dated 22 November 2023. It said that when considering overdraft applications it assesses information provided by the applicant and from credit reference agencies. It said Miss B provided information about her income and expenses and it also used information from third parties and Miss B passed its lending checks. Halifax said that Miss B was using her overdraft for short-term borrowing, and she reduced the limit when she didn't need it. It said that Miss B's income and expenses showed the overdraft was affordable.

Our investigator didn't uphold this complaint. He thought the checks carried out before the overdraft was provided were reasonable and that these didn't suggest that Halifax was wrong to provide the overdraft facility. He thought Miss B had managed the overdraft facility well and it was used in a sustainable way and that the checks Halifax undertook before the limit increases were reasonable.

Miss B didn't agree with our investigator's view. She said it should have been clear to Halifax when checking her credit history that she had previously been in a cycle of hardcore debt and that she was experiencing financial difficulty. She said that each time her overdraft limit was increased, Halifax should have checked her credit record and had it done so it would have seen her debts were increasing. She said she had been in an overdraft with Halifax or her previous account provider for several years. She said the fees and charges applied to her overdraft had worsened her financial situation causing her to take on more debt. She said that large sums of money were deposited into her account from her parents and shouldn't be considered when assessing her sustained overdraft position.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

Miss B has complained that Halifax irresponsibly lent to her and unfairly continued applying charges to her overdraft when she was in financial difficulty.

Halifax will be familiar with all the rules, regulations and good industry practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So, I don't consider it necessary to set all of this out in this decision.

Miss B was provided with a £200 overdraft in June 2018. Halifax has said that before lending it carried out an affordability assessment and credit scoring. Having looked through the information provided it appears that Miss B was receiving a monthly income of around £1,600 and I do not find that her accounts leading up to the application suggested she was in financial difficulty at that time. So, while I note Miss B's comment about her credit history, noting the size of the initial overdraft provided, I do not find I can say that this should have been considered unaffordable.

Miss B's overdraft limit was increased on several occasions throughout 2018, and by December 2018, Miss B's overdraft limit was £1,500. During this period Miss B was making use of her overdraft but she was receiving regular income and was able to clear the overdraft each month. So, while I can see that Miss B was spending substantial parts of each month in her overdraft, as she was clearing this, I do not find at this time I have enough to say that the overdraft provided had become hardcore debt or that it had become unsustainably affordable for her.

Miss B made use of the full overdraft facility and in January 2019, went over the overdraft limit on occasions. However, she was again able to bring her account into credit at the end of January 2019 when she received her income. This pattern continued over the following months with Miss B spending substantial periods of time in her overdraft and often exceeding the limit before bringing her account into credit with her income. I think this could have raised concerns that required monitoring and had they continued then action may have been needed. But in July 2019, Miss B's use of her overdraft appeared to decrease, and she received a substantial payment in August 2019 which brought her account into credit. While her account did then go back into overdraft in September 2019, this was in part due to Miss B transferring money to her savings account. Miss B reduced her overdraft limit to £500 in November 2019 and I do not find that any further action was required.

Miss B's overdraft limit was increased on several occasions during 2020, with the highest limit being £1,800 in November 2020. Up to September 2020, Miss B had funds in her savings account higher than the overdraft limit on her current account and so I find that had she wished to clear her overdraft during this period she was able to do so.

Miss B's overdraft limit was increased several times in November 2020. At this time, she didn't appear to have savings to cover the overdraft limit. Looking at Miss B's account, while she was spending most of each month overdrawn she was still clearing the overdraft each month. So, while I accept that Miss B was using the overdraft for more than just emergency borrowing, as she was still able to clear the overdraft, I do not find I have enough at this point to say the overdraft had become hardcore borrowing and that further action should have been taken.

Miss B reduced her overdraft to £800 in May 2021 and it was then increased to £1,000 in July 2021 before being reduced to £500 in August 2021. The overdraft limit was then increased on several occasions up to £1,300 in November 2021. Between August and November 2021, Miss B had savings which could have reduced and at times removed her overdraft.

During 2022, Miss B continued to request overdraft limit increases, and these were provided

up to a limit of £2,500 in July 2022. Based on the evidence I have seen I do not find I have enough to say that these limits should have appeared unaffordable. As in previous years, Miss B was clearing her overdraft each month following receipt of her income. Miss B then received some large deposits which she has explained but putting these aside, given she reduced her overdraft to £250 in August 2022, I do not find that any further action was required at that time.

Miss B's overdraft limit was then increased but looking at her account I do not find that the increase up to £450 in January 2023 should have raised concerns. She then reduced the limit to £250 before further limit increases up to £2,000 in May 2023. But this limit was reduced to £1,250 in the same month and then increased to £1,400 in June 2023 and reduced to £1,000 in July 2023. During 2023, Miss B was spending a reasonable amount of the month in credit and while the overdraft limits changed I do not find I can say that these should have been considered unaffordable for her.

Overall, while I note the issues Miss B has raised, in this case while I can see there were periods when Miss B was spending substantial parts of each month in her overdraft, as she was able to clear the overdraft and at times had savings available to her, I do not find In this case I have enough to say that Halifax should have identified the overdraft use as hardcore borrowing or as being unaffordable for Miss B.

Based on the above, I do not uphold this complaint.

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 Miss B to accept or reject my decision before 9 May 2024.

Jane Archer
Ombudsman