

## **Complaint**

Mr E has complained about a personal loan Bank of Scotland plc (trading as “Halifax”) provided to him. He says that the loan was unaffordable.

## **Background**

Halifax provided Mr E with a loan for £16,000.00 in February 2021.

Mr E’s loan had an APR of 17.9% and a term of 72 months. This meant that the total amount to be repaid of £25,357.68, which included interest, fees and charges of £9,357.68, was due to be repaid in 72 monthly instalments of £352.19. The loan was settled in full in September 2021 which was a few months after it was taken out.

One of our investigators reviewed what Mr E and Halifax had told us. And she thought that Halifax hadn’t done anything wrong or treated Mr E unfairly. So she didn’t recommend that Mr E’s complaint be upheld.

Mr E disagreed with our investigator’s assessment and asked for an ombudsman to look at his complaint.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr E’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr E’s complaint. I’ll explain why in a little more detail.

Halifax needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Halifax needed to carry out proportionate checks to be able to understand whether Mr E could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Halifax says it agreed to Mr E’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on

a credit search it carried out. And in its view, all of this information showed Mr E could afford to make the repayments he was committing to.

On the other hand, Mr E has said he should never have been provided with this loan because of his existing debts which he was already struggling to repay.

I've carefully thought about what Mr E and Halifax have said.

The first thing for me to say is that Halifax didn't simply accept an over-optimistic declaration of monthly disposable income at face value. It also carried out checks with credit reference agencies. Halifax hasn't provided the details of the credit searches it carried out.

I do accept that the information Mr E has provided shows that he did already have some existing debts. But the intention was for Mr E to clear the vast majority, if not all, of his existing commitments with the proceeds of this loan and then leave himself with a single consolidated payment to make each month.

Furthermore, having reviewed the bank statements Mr E has provided, I can't see anything on them which indicated that he wouldn't be able to make the repayments to this loan had he consolidated his existing debts in the way he said he was going to. Equally, I'm satisfied that Halifax was reasonably entitled to believe that it wouldn't be increasing Mr E's existing indebtedness in a way that was unsustainable or otherwise harmful.

I accept that Mr E's actual circumstances may not have been fully reflected either in the information he provided, or the information Halifax obtained. It also possible that Mr E went on to accrue further balances on some of the revolving credit accounts he cleared with the funds from this loan. But I can't see how Halifax would have known any of this.

It's possible that if Halifax had gone into checks such as obtaining bank statements for multiple accounts – it might have seen the loan was unaffordable. But the key here thing is that I don't think the circumstances of the lending here warranted obtaining bank statements for multiple accounts.

Given the circumstances, I'd expect Halifax to have a reasonable idea of Mr E's income and committed non-discretionary spending, rather than carry out a complete review of Mr E's finances. And if this had been done, I don't think that Halifax would have declined to lend to Mr E.

As this is the case and bearing in mind everything, I don't think that Halifax did anything wrong when deciding to lend to Mr E – reasonable and proportionate checks are more likely to have shown the loan was affordable and this appears to be supported by the fact that Mr E repaid a loan which was taken out over a term of six years, in a few months.

So overall I don't think that Halifax treated Mr E unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr E's complaint. I appreciate this will be very disappointing for Mr E. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 19 April 2024.

Jeshen Narayanan  
**Ombudsman**