

The complaint

Mr S complains that Bank of Scotland plc trading as Halifax lent to him irresponsibly.

What happened

In November 2014, Mr S opened a credit card account with Halifax. It had an initial credit limit of £1,000 which was increased to £1,500 in May 2017. Mr S says at the time of the application he was *"in a poor financial state"* and that if Halifax had checked his circumstances thoroughly it ought to have refused to lend to him. He says he has *"been in consistent debt with [Halifax] for well over 5 years"*. Mr S complained to Halifax asking it to stop charging interest and to refund what he's paid already.

Halifax looked into Mr S's complaint. It said initially that the account opening had taken place too long ago for it to consider, but following our involvement, it accepted it could do so. Halifax explained it had limited information from the account opening, and none from the time of the credit limit increase due to the time elapsed. However, it explained the checks it would have carried out at the time. It said Mr S used the card for non-essential spending and maintained payments without ever falling into arrears. Halifax rejected his complaint.

Mr S referred his complaint to our service and one of our investigators looked into it. She was satisfied that the information provided by Halifax regarding the opening of the account meant she felt it had reached a fair decision to lend to Mr S. But she thought its' checks ought to have been more thorough before the limit increase in May 2017, although she felt if it had done better checks, it would have reached a fair decision to lend to him anyway.

Mr S didn't agree with our investigator, so the complaint has been passed to me for 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Halifax needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr S irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Halifax carry out reasonable and proportionate checks to satisfy itself that Mr S was in a position to sustainably repay the credit?
 - If not, what would reasonable and proportionate checks have shown at the time?
- Did Halifax make a fair lending decision?
- Did Halifax act unfairly or unreasonably towards Mr S in some other way?

It's not about Halifax assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on Mr S.

Did Halifax carry out reasonable and proportionate checks?

Understandably there's only limited information available from both parties to this complaint due to the time elapsed since the lending was agreed. Where I don't have all the information I'd like, I have to base my decision on what I do have and on the balance of probabilities – that is what I consider is most likely to have happened in the circumstances.

Halifax has been able to provide some information from Mr S's application for the credit card. It shows he told it he was employed on £21,000 per year and had monthly commitments of £303. There is evidence that two credit reference agencies were checked and Mr S's application met Halifax's lending criteria. An initial credit limit of £1,000 was agreed for him.

From the evidence available, I'm satisfied that Halifax carried out its usual checks. If information had come to light as a result – for example his credit report showed he was heavily committed elsewhere or he had defaults registered against him – then in my experience, it's unlikely that Halifax would have approved his application. It agreed a relatively modest credit limit. Overall based on what I've seen, I think it more likely than not that Halifax carried out reasonable and proportionate checks as it was required to do, and that it reached a fair decision to lend.

Halifax no longer holds any of the data assessed for the subsequent increase in Mr S's credit limit due to the time elapsed. I don't think it's unusual for it to have application data (for the initial opening of the account) but not credit limit increases. I say this because limit increases are often proactively offered and based on account performance and an informal review of the credit reference agencies. There is often no exchange of data between the consumer and lender.

Mr S has given details of some expenses he had at the time, and budgets carried out by a debt charity in January 2015 and September 2016. The first budget shows a surplus income of £330 a month and the second shows a surplus of £1,120. The debt charity is an expert in producing such budgets, so I think it's reasonable to assume they're accurate.

I have considered everything that's been provided by both parties to this complaint. I'm satisfied that Halifax's standard checks will have been conducted and therefore on balance, Mr S must have passed those checks. I have seen nothing which shows that Halifax ought to have been aware that Mr S wouldn't have been able to afford the increase. And given the surplus disposable income shown on the budgets, I can't reasonably say that Halifax reached an unfair decision in agreeing to increase Mr S's limit.

Mr S has mentioned a similar complaint he has involving another credit card which has been upheld in what he says are similar circumstances. I note that the card in that case was newer than this and there was evidence available from both parties which enabled the investigator to reach a different conclusion. That in itself isn't something I can use in this case as I'm looking at the lending decisions made long before it - in 2014 and 2017.

Mr S says he's found himself in financial difficulties as a result of being "*consistently in debt*". Halifax has written to Mr S on a number of occasions offering support with his finances but says Mr S hasn't responded. If he remains in difficulties, I'd encourage him to do so. And I would remind Halifax of its obligation to treat customers in financial difficulty fairly.

My final decision

My final decision is that I don't 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 June 2024.

Richard Hale
Ombudsman