

## The complaint

Mr U's complaint is about a decision by Bank of Scotland plc trading as Halifax (BoS) not to allow him to take a further advance on his mortgage to consolidate unsecured debts.

## What happened

In 2021 Mr U re-mortgaged his home to BoS. When he did so, he borrowed an additional sum of almost £44,000, which he told BoS was predominantly to consolidate some unsecured debts.

In July 2022 Mr U contacted BoS about taking a further advance. He initially told the person he spoke to that the money was to repay a credit card debt, but after being told that BoS would not lend him further funds for debt consolidation, he suggested that the money was for home improvements. He confirmed he'd said the purpose of the money he wanted to borrow was debt consolidation as it was quicker that way. BoS didn't allow an application in the circumstances.

In March 2023 Mr U applied for a further advance from BoS to pay for some home improvements and to pay for dental implants. BoS declined the application as he failed the credit score and the affordability assessment.

In May 2023 Mr U contacted BoS again about a further advance of £50,000, half of which was for debt consolidation. It was recorded that Mr U said, *'his credit cards are spiralling out of control and the debts are increasing.'* BoS told him in that initial call that BoS was unable to lend for debt consolidation as he had consolidated debts in 2021. It later looked at affordability and Mr U's credit score and established that an application would fail on both of those fronts too.

Mr U complained. When he did so he said that the additional money borrowed in 2021 had not been intended for debt consolidation, but rather home improvements. He said he had said the money was for debt consolidation to save time.

BoS responded to the complaint in a letter dated 12 June 2023. It explained that it didn't allow release of equity for the purposes of debt consolidation more than once in any five-year period. As Mr U had consolidated debts into the mortgage at the beginning of 2021, BoS would not consider another application for the same purpose until 2026. BoS also confirmed that Mr U's credit score didn't meet its requirements either and it had assessed the lending would be unaffordable too.

Mr U was not satisfied with BoS' response and referred the complaint to this Service. He explained that during the Covid-19 pandemic his income was affected, and he incurred some additional expenses. He put those expenses on credit cards and intended to borrow more money against his house when the fixed interest rate ended. However, when he approached BoS, it refused the further borrowing because of his high level of credit card debt and its five-year debt consolidation rule.

One of our Investigators considered the complaint, but she didn't recommend that it be upheld.

Mr U didn't accept the Investigator's conclusions. He said that when it considered affordability BoS had taken into account the cost of the credit cards he was intending to repay with the further advance. In addition, BoS had taken account of the cost of a buy-to-let mortgage he had, but had not factored in the rental income he received. He didn't consider this to be fair, or that BoS was acting responsibly when declining the application, as it will result in his financial ruin. He highlighted that he thought with the further borrowing, he thought his finances would be fine and he would be making savings within a few months.

The Investigator considered Mr U's further comments, but she was not persuaded to change her conclusions. It was decided that the complaint would be referred to an Ombudsman for consideration.

In Mr U's final submissions before the complaint was passed to me, he reiterated his comments about his circumstances and BoS' decision. He also mentioned that he had approached other lenders and received the same response – the amount of his unsecured debt meant that they were not willing to lend to him, even though he explained some of the debts would be paid off. Mr U considers this approach is ridiculous and has meant that he has been unable to borrow to refurbish one of his rental properties and so it can't be rented or sold. Mr U said that he believes that if the further advance was granted, he would be perfectly fine financially and making savings.

### **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.

BoS is entitled to set its own lending criteria. Decisions that BoS makes in respect of what those criteria are and its attitude to risks involved are a matter of its commercial judgement. When exercising that judgement, a lender is entitled to take its own interests into account. This service would not interfere with a lender's commercial judgement in setting its lending criteria. My role is to decide whether BoS has applied its lending criteria fairly and reasonably when it considered Mr U's application for further borrowing.

I would also comment that while a lender does have to consider the interests of a customer when making decisions, that does not mean that it has to disregard its own interests or set aside its lending criteria. Furthermore, no-one is entitled to borrow money, even when they have been able to do so in the past.

BoS has the policy that it will not allow debt consolidation more than once in a five-year period. It has its reasons for this, and I don't consider that generically it is an unreasonable approach. Lenders are required to lend responsibly. If a consumer wanted to consolidate debts repeatedly over a short period of time, it would indicate they were likely in wider financial difficulties. In such circumstances converting unsecured debts into secured borrowing, which could put a consumer's home at greater risk, would seldom be considered to be responsible lending.

However, I note that on both occasions in 2023 when Mr U asked about further borrowing, BoS completed an affordability and credit score assessment. On both occasions the request for lending failed these assessments; in other words Mr U wanted to borrow more than BoS' appetite for risk would allow, given his financial circumstances. I can understand why Mr U was not happy about these decisions, but it appears that BoS applied its criteria as it would to any other customer, and I can't find that the decisions were unfair.

I know that my conclusions will disappoint Mr U, and he would like BoS to set aside its normal lending criteria in order to allow him to have the borrowing he believes will resolve his financial difficulties. However, I can't require BoS to do that and I don't consider it would be reasonable for it to have chosen to do so in the circumstances.

I note that Mr U has said that he has sought independent advice about his situation and was recommended to arrange an IVA, which he doesn't want to do. There are debt charities that may be able to assist him with looking for an alternative approach to dealing with his difficulties with unsecured debts, and the Investigator can provide Mr U with details of those charities if he wants them.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I am required to ask Mr U to accept or reject my decision before 23 August 2024.

Derry Baxter  
**Ombudsman**