

## **The complaint**

Ms M feels that Bank of Scotland plc, trading as Halifax, provided an overdraft facility to her irresponsibly.

## **What happened**

In August 2023, Ms M successfully applied to Halifax for an overdraft facility of £2,000 on her current account. In March 2024, Ms M raised a complaint with Halifax as she felt she hadn't been able to afford the overdraft facility Halifax provided to her, and that this should have been apparent to Halifax, had they undertaken checks into her financial position at that time.

Halifax responded to Ms M and explained that they had undertaken checks into her financial position before approving her overdraft application, and that there hadn't been anything resulting from those checks which Halifax felt had reasonably indicated that Ms M might not be able to afford the overdraft facility she'd applied for. Ms M wasn't satisfied with Halifax's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Halifax had acted unfairly in how they'd managed the situation and so didn't uphold the complaint. Ms M remain dissatisfied, so the matter was escalated to an ombudsman for a final 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.

I issued a provisional decision on this complaint on 24 June 2024 as follows:

*It's for a business to decide whether it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new line of credit, such as an overdraft facility, the business would undertake reasonable and proportionate borrower focused checks to ensure that any credit being offered to a customer is affordable for that customer at that time.*

*Halifax believe they did that here and note that when Ms M applied for the overdraft facility, they took information from her about her employment status and annual income, and also obtained information from a credit reference agency to get a better understanding of Ms M's wider financial position.*

*Having considered the information that Halifax assessed regarding Ms M, I can understand why they felt that she would most likely have been able to afford the overdraft facility she'd applied for. I say this because Ms M had declared monthly income of £2,100 alongside relatively low outgoings. And the information that Halifax obtained from the credit reference agency also didn't appear to give any indication that Ms M might have been in financial difficulty at the time of the application such that the provision of further credit to her might not have been appropriate.*

*However, it seems apparent that the information that Halifax obtained from the credit reference agency was incorrect and didn't provide Halifax with an accurate understanding of Ms M's financial position at that time. This means that, unfortunately, Halifax's decision to lend to Ms M seems to have been undertaken on the basis of wrong information.*

*For instance, the information Halifax gathered indicated that Ms M had four existing credit commitments, when the truth of the matter was that she had nine – consisting of six revolving credit accounts and three short term loans. Halifax's information also included that Ms M had had no credit searches conducted against her in the past six months, when the truth of the matter was that she'd had eight credit searches conducted against her in the one month immediately preceding her overdraft application.*

*I've therefore considered how I feel that Halifax should have assessed Ms M's overdraft application; had they been provided with accurate credit file information. And having done so, my conclusion is that in this scenario, Halifax shouldn't have approved Ms M's overdraft application.*

*One reason for this is because while Ms M had a relatively low amount of total revolving credit - £3,400 – compared to her annual income at the time of the overdraft application, she was utilising almost all of that credit. And £2,200 of that total credit amount had only been applied for relatively recently, in March 2023, which was only five months before Ms M applied to Halifax for a further £2,000 credit.*

*Additionally, Ms M had taken short term 'pay day' loans in March and May 2023, which I feel provides a further indication that her financial position might not have been as stable as Halifax first thought.*

*At the very least, I feel that the above should reasonably have given Halifax cause for concern and should have prompted them to have undertaken further checks into Ms M's financial position. Given that Ms M was applying for an overdraft facility, it seems reasonable to me that these further checks should have included a review of Ms M's statements for the current account in question. And having reviewed these statements for the months leading up to the overdraft application, I feel that they do show that Ms M would most likely be unable to afford the overdraft she was applying for.*

*This is because Ms M's bank statements show regular short-term borrowing – with four instances of short terms loans being apparently received by her in May 2023 alone. And they also show that Ms M's account balance regularly approached zero and didn't demonstrate that kind of stability that would be expected if there was no financial difficulty.*

*All of which means that my provisional decision here is that I'll be upholding this complaint in Ms M's favour and instructing Halifax to reimburse all interest and charges that Ms M has incurred on her overdraft facility from the time that it was granted. If these reimbursements lead at any time to a balance in Ms M's favour, Halifax should apply 8% interest to that balance, from the date that Ms M's account would have gone into credit. Additionally, Halifax must remove all adverse reporting from Ms M's credit file regarding this overdraft facility.*

*As explained, I do feel that Halifax acted in good faith based on the information they assessed, and so I won't be making any further instructions to them beyond the above. But ultimately, it isn't Ms M's fault that Halifax didn't obtain accurate information about her financial position, and I feel that her overdraft application was approved unfairly as a result.*

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Both Ms M and Halifax responded to my provisional decision and confirmed that they were happy to accept it.

As such, I see no reason not to issue a final decision here whereby I uphold this complaint in Ms M's favour on the basis explained above. And I therefore confirm that my final decision is that I do uphold this complaint in Ms M's favour on that basis accordingly.

### **Putting things right**

Halifax must reimburse all interest and charges that Ms M has incurred on her overdraft facility from the time that it was granted.

If these reimbursements lead at any time to a balance in Ms M's favour, Halifax should apply 8% interest to that balance, from the date that Ms M's account would have gone into credit.

Halifax must also remove all adverse reporting from Ms M's credit file regarding this overdraft facility.

### **My final decision**

My final decision is that I uphold this complaint against Bank of Scotland plc, trading as Halifax, on the basis described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 19 August 2024.

Paul Cooper  
**Ombudsman**