

## **Complaint**

Mr S has complained about an overdraft that Bank of Scotland plc (trading as “Halifax”) provided to him.

He says the overdraft he was provided with, which was then had its limit increased, was unaffordable for him given he already had other loans and overdrafts at the time.

## **Background**

Halifax initially provided Mr S with an overdraft that had a limit of £250 in June 2019. The credit limit was increased to £1,000.00 in June 2019, £2,000.00 in July 2021 and then finally £2,200.00 in January 2022.

One of our investigators reviewed what Mr S and Halifax had told us. And she thought that Halifax hadn't done anything wrong or treated Mr S unfairly in relation to providing the overdraft or increasing the credit limit. So she didn't recommend that Mr S' complaint be upheld.

Mr S disagreed and asked for an ombudsman to look at the 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 S' complaint.

Halifax needed to make sure 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 S could afford to repay any credit it provided.

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.

I understand that Halifax agreed to Mr S' initial application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr S would be able to sustain the monthly payments required to clear the balances that could be owed within a reasonable period of time.

On the other hand Mr S says that he shouldn't have been lent to or had his limit increased.

I've considered what the parties have said.

What's important to note is that Mr S was provided with a revolving credit facility rather than a loan. And this means that Halifax was required to understand whether limits of £250, £1,000.00, £2,000.00 and £2,200.00 could be repaid within a reasonable period of time, rather than all in one go.

Halifax carried out credit checks at the time of all of these applications. Having considered the information provided, I've not seen any defaulted accounts, missed payments, short-term lending or high-cost borrowing reported. Neither can I see anything on Mr S' Halifax account activity that ought to have alerted it to such factors either.

Furthermore, I've looked at Mr S' current account statements in the period leading up to his applications. I think that it is fair to say that Mr S' account statements not only showed that he regularly had credit balances, but he was also receiving a salary that ensured he could repay a balance of up to £2,200.00 within a reasonable period of time.

I appreciate that Mr S says that the only reason he had a credit balance at this time of the latest increases was because his mother lent him money to clear his existing indebtedness. That may be the case, but I wouldn't expect Halifax to have carried out the level of forensic analysis that would have covered this level of detail, for such borrowing. So I don't think that Halifax would have known about this or about the activity on the account that Mr S held with another bank.

I fully accept it's possible that Mr S' position might have been worse than what it looks like on the information on his statements, or that it worsened after the credit limit increases took place. I know that Mr S has referred to other debt and that the transfers he was making to another account were to cover this.

But it wouldn't be fair and reasonable for me to use hindsight here, or say that Halifax should have known this was the case at the time it was making its lending decisions. This is especially as the available information indicates that Mr S could repay what he could owe at the time the lending decisions were made.

For the sake of completeness, I've also considered the position in relation to Mr S' overdraft usage once the facility was granted. It's fair to say that Mr S did get into difficulty, after he told what he's told Halifax suggests was a change in circumstances, in 2023. I've seen that Halifax applied a number of interest pauses and has placed Mr S on a reducing limit so that he can clear what he owes.

In these circumstances, it's difficult for me to say that Halifax acted unfairly as it has offered to help Mr S reduce his overdraft in a way that was fair and reasonable. Furthermore, if Mr S is still having difficulty repaying his overdraft balance, I would encourage him to get back in contact with and co-operate with Halifax so that a new plan can be set up. I say this particularly as he's now switched to another bank and will need to manually credit this account.

In reaching my conclusions, I've also considered whether the lending relationship between Halifax and Mr S might have been unfair to Mr S under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've already explained, I'm satisfied Halifax did not lend irresponsibly or act unfairly in allowing Mr S to use his overdraft in the way that he did

bearing in mind all of the circumstances. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, I don't think that Halifax treated Mr S unfairly or unreasonably when providing him with his overdraft or subsequently increasing the limit. And I'm not upholding Mr S' complaint. I appreciate this will be very disappointing for Mr S. 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 S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 December 2024.

Jeshen Narayanan  
**Ombudsman**