

## **The complaint**

Ms G complains that Bank of Scotland plc trading as Halifax was irresponsible in its lending to her. She wants the charges and fees applied to her account refunded and any adverse information removed from her credit file.

## **What happened**

Ms G applied for a Halifax credit card in July 2019, and this was provided with a £5,000 credit limit. She says that the lending shouldn't have been provided as she wouldn't be able to sustainably repay the money within a reasonable amount of time. She says that Halifax didn't carry out adequate checks before providing the credit and that had it done so it would have realised that she had a high debt to income ratio and markers on her credit file showing she was struggling to manage her existing commitments. Ms G explained that taking all of her commitments into account left limited money for essential spending.

Halifax issued a final response to Ms G's complaint dated 26 June 2024. It said that before providing the credit card it carried out checks to see if Ms G would be able to repay the credit. Its assessment was based on information provided by Ms G about her income and outgoings, information from the credit reference agencies about her existing credit commitments, and third-party data used to estimate her general living costs. Based on this it didn't accept the lending had been irresponsible. Halifax noted that Ms G's credit limit had been reduced on two occasions and never increased and that the account had only been used for balance transfers.

Ms G referred her complaint to this service.

Our investigator thought that Halifax should have carried out further checks before the lending was provided. She didn't think that Halifax was required to request copies of Ms G's bank statements but that it should have asked further questions to understand Ms G's general living costs. However, she thought that had these questions been asked they wouldn't have shown that the credit card shouldn't have been provided. Therefore, she didn't uphold this complaint.

Ms G didn't agree with our investigator's view. She said that Halifax should have verified her income before lending and had it done so it would have realised that her take home pay was less than the amount used in its calculations. She said that based on her monthly income and debt repayments she had limited disposable income. Ms G also said that she was only making the minimum repayment on her credit cards, had accounts in persistent debt, her debts were increasing, and she had missed payments on her existing credit commitments.

## **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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Ms G applied for a Halifax credit card in July 2019. Before the credit card was provided Halifax requested information from Ms G and carried out a credit check. It also used third party data to estimate her general living costs. Halifax said that Ms G declared an annual income of £65,000 and was married with two dependents. She said her contribution to the mortgage was £400 a month and she had other commitments of £50 a month. Its credit check didn't raise concerns about how Ms G was managing her existing credit but showed she was paying £1,298 each month towards her credit commitments.

I find it reasonable that Halifax relied on the information it received through its credit check, and I do not find that this raised any concerns about how Ms G was managing her existing commitments. Ms G has said that the credit check should have shown that she had missed payments and had taken out cash advances. The evidence she has provided shows occasional missed payments on an account, but these happened more than six months before the Halifax credit card was provided and the account had been settled in March 2019. I also note the missed payments were recorded as a '1' before being corrected. In regard to the cash advances, these were on an account that had been settled in January 2019 and there were only two cash advances in the year prior to that. Taking everything into account, I do not find any issues with the credit check Halifax carried out and I think it reasonable it relied on this.

While Mr G's credit check didn't raise concerns about how she was managing her commitments, it did identify a high monthly contribution to her existing debts. Given this, I agree with our investigator that it would have been reasonable for further questions to have been asked about Ms G's expenditure rather than relying on an estimate.

Ms G has provided copies of her joint bank account statements for the months leading up to the Halifax credit card being provided. These show the regular household expenses for items such as utilities, insurance, communications and council tax. On the basis these were split between Ms G and her husband, as she had explained the mortgage costs were, I do not find that these would have resulted in the credit card account being considered as unaffordable.

Ms G has said that her income should have been verified before the lending was provided. I do not find it unreasonable that Halifax relied on the income figure provided, and as Ms G had declared this income, I find it more likely than not that had she been asked about this as part of the additional checks for her expenditure that she would likely have provided a similar figure.

I also note that the credit card was only used for balance transfers which enabled Ms G to repay other debts while taking advantage of a 0% promotional rate. This would likely have been beneficial to Ms G at the time the balance transfers were made and as she repaid other debt with the new lending this wouldn't have increased her overall indebtedness at the time.

So, taking the above into account, I do not find that I can say Halifax was wrong to provide Ms G with a credit card with an initial credit limit of £5,000.

I've also considered whether Halifax acted unfairly or unreasonably in some other way, given what Ms G has complained about – including whether Halifax's relationship with Ms G might

have been unfair under s.140a of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Halifax lent irresponsibly to Ms G or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 28 October 2024.

Jane Archer  
**Ombudsman**