

The complaint

Ms G complains that Bank of Scotland plc (BoS) 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 BoS credit card in August 2019 and this was provided with a £3,900 credit limit. She says that the lending shouldn't have been provided and adequate checks weren't carried out. She said that had proportionate checks taken place, BoS would have realised that she had a high level of existing debt and was dependent on short term loans. She said her credit report showed signs that she was struggling to manage her existing commitments.

BoS said that a credit card account was opened for Ms G in August 2019 with a £3,900 credit limit and the credit limit was never raised. It said that when Ms G applied for the credit card, she declared an annual income of £65,000, monthly mortgage commitments of £400 and other major commitments of £50. It said that based on its checks the lending was affordable. BoS noted that Ms G used the credit card for two balance transfers in September 2019 and paid the account off in August 2021. She then started to use the credit card for retail spending in May 2022 and had reduced the balance to under £12. It said that at no point did Ms G's activity suggest she was in financial difficulty or reliant on the credit.

Ms G referred her complaint to this service.

Our investigator thought that the checks carried out by BoS were reasonable and based on these the lending appeared to be affordable for Ms G. She didn't think that BoS was required to carry out an income verification and said its credit check showed Ms G had no monthly credit commitment payments.

Ms G didn't agree with our investigator's view. She said that her income should have been verified at the time of application. She said that it wasn't clear how BoS's credit check showed no credit commitments, and this wasn't her situation and even if this didn't show due to an issue with this check BoS should have been aware of her existing credit commitments as this had been identified as part of an application the previous month for a credit card with another BoS entity. Ms G said her credit commitments had increased over the previous 12 months and she was reliant on her student overdraft.

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.

I note Ms G's comment about her applying for credit with another entity before this application but BoS would be expected to carry out its own checks and it is reasonable it would rely on the information received through these. Before the lending was provided, BoS asked Ms G for details about her employment, income, and residential status. She declared an annual income of £65,000, said she was married with two dependents and had a mortgage. She declared monthly housing costs of £400 and other commitments of £50.

A credit check was carried out which didn't record any adverse information. I note Ms G's comment about her having missed payments on other accounts but as there were no missed payments in the months leading up to her application for the BoS credit card, I do not find it unreasonable that no adverse information was identified through the credit check. And having considered the outcome of the credit check, I do not find that this raised concerns that meant further questions should have been asked or lending not provided.

Ms G has provided a copy of her credit report from the time, and looking at this, I do not find in the months leading up to her BoS application her report suggested she was struggling to manage her existing credit commitments. Her report did show that she had other credit commitments the time which weren't identified through BoS's credit check. It isn't clear why Ms G's credit commitments weren't identified but, based on the information BoS identified through its checks, I do not find this raised concerns about the affordability of the lending or raised issues that meant further checks should have taken place. Therefore, I do not find it unreasonable that the lending was considered affordable by BoS.

However, given the information Ms G has provided as part of her complaint, I have considered what would likely have happened had Ms G's credit commitments been identified. In this case, I think this may have resulted in a need for further questions to have been asked about her expenditure. Considering the information Ms G has provided about her existing credit commitments and her other costs at the time, I do not find these would have shown that BoS acted irresponsibly by providing the credit card.

Taking everything into account, I do not find I can say that BoS was wrong to provide Ms G with a credit card with a £3,900 credit limit.

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