

The complaint

With the help of a professional representative (PR), Mr R complains that Bank of Scotland plc trading as Halifax lent to him irresponsibly. For ease, I'll refer mainly to the actions of the PR as being those of Mr R.

What happened

Mr R has had a current account with Halifax for many years. The earliest statements we have go back to March 2013 and show that he had an overdraft limit of £100. It has been increased a number of times over the years as follows:

Date	Existing limit	Overdraft limit increase (OLI)	New limit
December 2013	£100	OLI1	£200
June 2014	£200	OLI2	£250
July 2014	£250	OLI3	£290
September 2014	£290	OLI4	£350
July 2015	£350	OLI5	£470
October 2015	£470	OLI6	£550
August 2016	£550	OLI7	£570
November 2020	£570	OLI8	£600
December 2020	£600	OLI9	£1,000
March 2021	£1,000	OLI10	£2,000
December 2021	£2,000	OLI11	£2,500
April 2022	£2,500	OLI12	£3,340
April 2022	£3,340	OLI13	£3,500

On 19 February 2024, Mr R complained to Halifax. He said that Halifax had failed to undertake a *“proper credit assessment”* on his overdraft applications and if it had *“it would have been clear...[he]...was not able to afford the overdraft.”* He said the bank had failed to monitor his account properly leading to hardcore borrowing and prolonged overdraft usage which led to him paying significant interest and charges.

Overall, Mr R said these failings had made his credit relationship with the bank unfair as described in Section 140A of the Consumer Credit Act 1974 (section 140). He asked Halifax to refund interest and charges he's paid, plus 8% interest on that sum, an amount for distress and inconvenience and said any adverse information should be removed from his credit file.

Halifax looked into Mr R's complaint and issued a final response. It said much of Mr R's complaint had been brought too late under the complaint handling rules of the Financial Conduct Authority (FCA) because the early lending decisions had taken place more than six years before he complained. But it looked into the events which took place within the last six years – so 19 February 2018 (OLI8) onwards.

Halifax didn't uphold Mr R's complaint about the later events. It outlined the checks it had

carried out and was satisfied it had lent responsibly. It said Mr R had contacted it about financial difficulties on 23 March 2023 and its Financial Assistance team had supported him until his account was closed on 15 April 2024. In that time, no interest or charges were applied to his account.

Mr R was unhappy with Halifax's response, so he referred his complaint to our service. One of our investigators looked into it. Once the complaint was referred to this service, Halifax gave its consent for us to look into the whole of the complaint – not just the last six years – albeit it said it didn't have any information regarding the checks it carried out on OLI's 1-7 or the initial £100 limit. Our investigator looked into the complaint. She agreed with Halifax that it had not lent irresponsibly and had treated Mr R fairly. She didn't uphold the complaint.

Mr R didn't accept our investigator's opinion on the complaint. He reiterated that Halifax had a duty to monitor his use of the overdraft and, had it done so, it would have been clear he *"was relying on the overdraft facility on a month-by-month basis and was reliant upon the same to pay all essential outgoings"*. As there was no agreement, the complaint has been passed to me for a 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Halifax needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr R irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Halifax carry out reasonable and proportionate checks to satisfy itself that Mr R was in a position to sustainably repay the overdraft?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Halifax make a fair lending decision?
- Did Halifax act unfairly or unreasonably towards Mr R in some other way?

It's not about Halifax assessing the likelihood of it being repaid, but it had to consider the impact of the overdraft on him. There is no set list of checks that it had to do, but it could take into account several different things such as the amount of the overdraft and the overall circumstances of the borrower.

Did Halifax carry out reasonable and proportionate checks?

Initial overdraft and OLI's 1-7 (increases up to £570 prior to August 2016)

Halifax doesn't have details of Mr R's applications for his initial overdraft or the increases up to and including OLI7. I don't find this surprising as businesses aren't obliged to retain records indefinitely and OLI7 took place over seven years before Mr R raised his complaint.

But Halifax has been able to provide statements back to March 2013 which have been shared with Mr R's PR. I've looked carefully at these statements and, for the majority of time, the account runs as I'd expect given his age and circumstances. Generally, between 2013-2015 the account returned to credit regularly and much of Mr R's expenditure was

discretionary. He appears to be working part time jobs – with payment terms varying from weekly, fortnightly and monthly - and spending what he earned. There was a spell at the end of 2015 and into 2016 where a few direct debits were returned unpaid, but towards the end of 2016, Mr R changed his job and began to be paid monthly which meant his account began to move into credit again.

Mr R changed employers to a weekly paid role part way through 2017 which meant his account spent less time in credit. But in March 2018, Mr R began to receive an increased regular monthly salary which enabled him to run his account much more smoothly.

There have been short spells – such as that described above - where there were signs of potential financial difficulty, but they were generally short lived and didn't get to a stage where I'd have expected Halifax to have intervened. I don't think Halifax treated Mr R unfairly in this period or was wrong to allow him the overdraft limits it did.

OLI's 8 and 9 (increases to £600 and £1,000 – November and December 2020)

As these applications were more recent than those discussed above, Halifax has been able to provide more information. It has explained that when it receives an application from a customer, it checks their credit report with an external Credit Reference Agency (CRA) and creates a credit score taking into account credit held with it and elsewhere. Provided the customer score meets what is required, the application is agreed. In my experience this is a common way for banks to assess lending applications.

Mr R passed the bank's credit scoring techniques, and it was happy to agree these increases. While I accept what the bank says in that regard, I don't actually have details of the scoring or evidence of what it saw on Mr R's credit file.

That being so, I've looked at Mr R's statements and between August and November 2020 - the few months leading up to the increases - Mr R received an average income of around £1,600 per month (in line with what had been seen for the last couple of years). His account continued to show a credit balance on a regular basis and it appears he may have been carrying out some home improvements between 2019 and 2021 which means that many of the debits to the account were as a result of that rather than normal day to day expenditure.

I think Halifax made a fair decision to agree these overdraft limits.

OLI's 10 and 11 (increases to £2,000 and £2,500 March and December 2021)

Again, Halifax has explained the credit scoring process it went through for these applications, but I don't have the detail of the results of that. I have reviewed Mr R's statements and can see that for the three months before OLI10 his average salary had increased to in excess of £2,800. By December 2021 when OLI11 was agreed, Mr R's income for the last three months had averaged over £3,300 following a change in employer around November 2021.

Throughout the year, there is evidence of the continued home improvements I've mentioned above as well as funding in and out of the account due to that. His account continued to move to a credit balance on a regular basis. There were no particular signs of financial difficulties which I think ought to have led the bank to refuse Mr R's application for the increases in his overdraft.

I think Halifax made a fair decision to agree these overdraft limits.

OLI's 12 and 13 (increases to £3,340 and £3,500 both in April 2022)

In line with the previous comments, I don't have the actual data Halifax obtained about Mr R's credit file and the result of his credit scoring. But clearly it was sufficient to allow the bank to agree the limit increases.

Looking at Mr R's account, he had maintained an average salary of £3,300 although his income varied between £2,500 and £3,800 in the first three months of 2021. In April however, he received £4,397. So his income was variable, but his account still moved to credit and he appeared to have sufficient disposable income to repay the limit in a reasonable period of time if he wished to or was called on to do so.

I don't think Halifax reached an unfair decision to agree these overdraft limits for him.

Did Halifax act unfairly or unreasonably towards Mr R in some other way?

As Mr R has said, Halifax had a responsibility to review his account to see how he was using it. If it saw signs to suspect he had actual or potential financial difficulties, it had a duty to step in and assist him. The statements provided by Halifax show the renewal date (at which the bank would carry out this review) following the limit increases was August 2022.

At the time of this review, Mr R had increased his limit a few months earlier and had managed his account within that. While he was significantly using the overdraft, his account had been in credit each month since then. He received a large sum of money – over £12,000 – which he appears to have used in part to repay a credit card and transfer money to another account in his name. The remainder – around £3,000 was left on the account and reduced his reliance on the overdraft. So I can see why Halifax renewed the overdraft in August 2022 and the next review scheduled for a year ahead.

In March 2023, before the next review was due, Mr R contacted Halifax's Customer Financial Assistance team about financial difficulties. It appears from his statements that his employment circumstances changed as he received his last payment from his employer in October 2022. While he received some payments from another employer, these were at a lower level than he'd been used to.

In response to his contact, Halifax stopped levying charges and interest on the account, which I think was reasonable. Mr R repaid the account in full in April 2024. I've not seen anything which leads me to think Halifax has treated him unfairly in some other way.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 29 May 2025.

Richard Hale
Ombudsman