

## **The complaint**

Mr W complains that Bank of Scotland plc trading as Halifax lent irresponsibly when it approved his credit card application and later increased the credit limit.

## **What happened**

Mr W applied for a Halifax credit card in April 2022. In his application, Mr W said he was living with his parents and paying rent of £130 a month. Mr W also said he was working part time with an income of £10,000. Halifax carried out a credit search and found no other outstanding debts in Mr W's name. No adverse credit, defaults or missed payments were found on Mr W's credit file. Halifax applied an estimate of Mr W's regular outgoings to his application and says he around £430 a month as disposable income to sustainably afford repayment to a credit card with a limit of £1,000. Halifax approved Mr W's application and issued the credit card.

Halifax says Mr W request to increase the credit limit to £2,000 in August 2022. Halifax looked at Mr W's existing repayments and checked his credit file again. Halifax says there was no new adverse credit or missed payments recorded. Halifax applied estimates for Mr W's essential living expenses of £553, rent of £392 and debt repayments of £299 against an income of £1,113 a month. Overall, Halifax said Mr W's outgoings were £131 higher than his income. Despite that, Halifax approved the credit limit increase to £2,000 in August 2022.

Last year, representatives acting on Mr W's behalf complained that Halifax lent irresponsibly and it issued a final response. Halifax said it had carried out the relevant lending checks before approving Mr W's application and later increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr W's complaint. They thought Halifax had completed proportionate checks before approving Mr W's application and that its decision to approve it was reasonable based on the information it obtained. The investigator thought that as the lending checks before the credit limit increase indicated a negative disposable income Halifax should've gone further and asked for additional information to show Mr W's circumstances. The investigator looked at Mr W's bank statements for the three months before the credit limit increase and found he had a disposable income of around £900 a month. The investigator thought that a more detailed set of lending checks would've still most likely led to Halifax approving the credit limit increase to £2,000.

Mr W's representatives asked to appeal and said Halifax had failed to show reasonable skill when lending. The representatives also pointed out Halifax had access to Mr W's bank statements throughout its lending relationship with him and could've used them instead of relying on estimates for his outgoings. As Mr W's representatives asked to appeal, his complaint has been passed to me to make 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.

Before agreeing to lend or increasing the credit limit, the rules say Halifax had to complete reasonable and proportionate checks to ensure Mr W could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

When Mr W made his application he provided information about his circumstances at the time. Mr W said he was living with his parents paying rent of £130 and earned £10,000 a year. Halifax carried out a credit search and didn't find any other active debts in Mr W's name. Mr W's supplied a copy of his credit file and I've not been able to see any other open credit in his name at the time. So, on the face of it, whilst Mr W's income was modest, his outgoings were also low. With that said, I can see Halifax used a higher estimate for Mr W's regular outgoings in its lending assessment, calculating Mr W had an estimated disposable income of around £430 a month. I'm satisfied that left Mr W with sufficient disposable income to sustainably afford a credit card with a limit of £1,000.

In my view, the level and nature of checks Halifax completed when considering Mr W's application were reasonable and proportionate to the amount and type of credit it went on to offer. And I'm satisfied the decision to approve Mr W's application based on the information Halifax obtained was reasonable. I'm sorry to disappoint Mr W but I haven't been persuaded Halifax lent irresponsibly.

I can understand Mr W's concerns that Halifax approved the credit limit increase to £2,000 despite reaching the conclusion he had a negative disposable income of £131 a month. But I think it's reasonable to say Halifax also looked at Mr W's previous repayments and credit file to get a picture of his circumstances. No missed payments or new adverse credit was found on Mr W's credit file and his Halifax credit card payments had all been made on time. In the circumstances, I think it would've been reasonable for Halifax to have taken a more detailed approach to Mr W's credit limit increase request before approving it. As Mr W's representatives have pointed out, his current account was held with Halifax at the time. So Halifax could've reviewed Mr W's bank statements to get a clearer picture of his circumstances.

I've looked at Mr W's bank statements for the three months before the credit limit increase was approved. They show Mr W was paid an average of £1,139 a month. I wasn't able to see any payments for rent, utilities or other household expenses on Mr W's bank statements. I found outgoings that averaged around £140 a month. That figure includes Mr W's existing Halifax repayments.. That meant Mr W had around £900 a month left after meeting his committed outgoings. In my view, Mr W's bank statements show he had sufficient disposable income to sustainably afford a credit limit increase of £1,000 taking it to £2,000.

Whilst I agree that Halifax failed to complete proportionate lending checks before increasing Mr W's credit limit to £2,000 in August 2022, I'm satisfied it's more likely than not that if it had taken a more thorough approach (like reviewing his bank statements) it would've still decided to proceed. I'm very sorry to disappoint Mr W but I haven't been persuaded that Halifax lent irresponsibly when it increased the credit limit from £1,000 to £2,000 in August 2022.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Halifax lent irresponsibly to Mr W or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My decision is that I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 April 2025.

Marco Manente  
**Ombudsman**