

## The complaint

Mr L's complaint is that Bank of Scotland plc trading as Halifax acted irresponsibly when it offered him a credit card and increased his borrowing limit on the card. To put things right, Mr L would like Halifax to refund interest and charges applied to the account and to remove any adverse information on his credit file.

## What happened

I don't need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr L being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision.

In January 2020 Halifax offered Mr L a credit card. The limit on the card has subsequently been increased several times, as follows:

Date	Event	Amount
January 2020	Account opening	£4,000
April 2022	Credit limit increase (CLI) one	£5,000
October 2022	CLI two	£10,000
February 2023	CLI three	£12,000
April 2024	CLI four	£13,250

Mr L complained to Halifax that the bank had acted irresponsibly in offering him the card and increasing the credit limits. Halifax didn't uphold the complaint so Mr L raised it with our service.

An Investigator looked at what had happened. In a very detailed letter dated 4 December 2024 she explained why she thought the complaint should be upheld. The Investigator was satisfied that, whilst Halifax had carried out proportionate checks when the account was opened by taking into account Mr L's stated income, the Investigator thought Halifax ought to have looked into Mr L's circumstances more closely. The Investigator thought that, if Halifax had done so, it would have been aware that Mr L's disposable income, taking into consideration a monthly payment on the card of £200.

The Investigator concluded that Halifax had acted unfairly in offering Mr L the card. In the circumstances, it followed that any increases to the borrowing limit shouldn't have happened. The Investigator asked Halifax to do the following:

- rework the account removing all interest, fees, charges and insurances that had not already been refunded;

- if this resulted in a credit balance, refund this to Mr L together with 8% simple interest per annum calculated from the date of each overpayment to the date of settlement, deducting any tax from the interest where necessary and giving Mr L a tax certificate if he requests it;
- if there was still a deficit balance, Halifax should arrange an affordable repayment plan with Mr L for this;
- once any balance on the account has been cleared, remove any adverse information from Mr L's credit file;
- liaise with any third party in relation to carrying out this redress.

Halifax didn't agree with the Investigator's findings and asked for an Ombudsman to review the complaint. Halifax also asked for more time to consider its position but despite several extensions of time, the bank has not provided any further response.

### **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.

Having done so, I've reached the same conclusion as the Investigator, for broadly the same reasons.

Halifax needed to make sure that it didn't lend irresponsibly. In practice what this means is that Halifax needed to carry out proportionate checks to be able to understand whether Mr L could afford to repay any borrowing before providing him with a credit card.

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 continues, 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've kept this in mind when determining whether the checks Halifax carried out when it opened the account were reasonable and proportionate.

Mr L's initial opening credit limit was £4,000, based on his declared income of £15,000. I've not seen anything to indicate that the income and expenditure declared by Mr L was verified, or that Halifax cross-checked this with his Halifax current account. Although a credit check was carried out, this only showed that Mr L had no County Court Judgements or had been made bankrupt.

Because Mr L banked with Halifax, it would, in my opinion, have been reasonable and appropriate for Halifax to have looked at Mr L's current account for the three months before the credit card account was opened. I've reviewed these statements and they show that Mr L's current account was consistently overdrawn without authorisation, incurring substantial charges.

I think that if Halifax had made even a cursory review of Mr L's current account for the three months of October 2019 to December 2019 it would, or should, have been apparent that

extending credit to him in January 2020 was likely to be unaffordable, given that he appeared to be struggling to manage his finances on a daily basis.

Halifax has argued that Mr L received payments into his current account from a third party (possibly a family member) into his account. However, I am not persuaded these can be considered 'income' for the purpose of assessing affordability, and, in any event, they do not appear in his current account statements for the three months prior to the account being opened. I'm also not persuaded that the fact Mr L had a savings account is evidence of his ability to afford the repayments on a credit agreement.

In the circumstances, I'm satisfied that Halifax acted irresponsibly when it offered Mr L the credit card in January 2020. Given this, it follows that, because the account should not have been opened, the subsequent increases should also not have been granted.

In reaching my decision I've also considered whether the lending relationship between Halifax and Mr L might have been unfair to Mr L under s.140A of the Consumer Credit Act 1974. However I'm satisfied that the directions I set out in the section below will result in fair compensation for Mr L, given the overall circumstances of the complaint. I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

### **Putting things right**

I agree with the redress proposed by the Investigator. To put things right I require Bank of Scotland plc trading as Halifax to do the following:

- rework the account removing all interest, fees, charges and insurances that have not already been refunded;
- if this results in a credit balance, refund this to Mr L together with 8% simple interest\* per annum calculated from the date of each overpayment to the date of settlement;\*
- if there is still a deficit balance, Halifax should arrange an affordable repayment plan with Mr L for this;
- once any balance on the account has been cleared, remove any adverse information from Mr L's credit file;
- liaise with any third party in relation to carrying out this redress.

\* If Halifax deducts any tax from the 8% simple interest and pays it to HMRC, it should give Mr L a tax deduction certificate if he requests it.

### **My final decision**

My final decision is that I uphold this complaint. I direct Bank of Scotland plc trading as Halifax to settle the complaint as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 17 April 2025.

Jan O'Leary  
**Ombudsman**