

## **The complaint**

Mr K complains that Bank of Scotland plc trading as Halifax lent irresponsibly when it approved his credit card application.

## **What happened**

Mr K applied for a credit card with Halifax in November 2018. In his application Mr K confirmed an income of £2,526 that Halifax says was verified via a service provided by the credit reference agencies known as CATO. Halifax carried out a credit search and found Mr K had a mortgage and other unsecured debts. No adverse credit or recent missed payments were found. Halifax applied a housing cost of £637 a month along with regular payments of £1,166 to Mr K's existing credit commitments. Halifax also applied a cost of living estimate of £434 to Mr K's application. After applying its lending criteria, Halifax calculated Mr K had an estimated disposable income of around £208 a month and approved his application with a credit limit of £2,000.

Mr K used the credit card in part for balance transfers and repaid the outstanding balance in November 2020. The account was closed in February 2021.

Last year, representatives acting on Mr K'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 K's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr K's complaint. They thought Halifax had completed reasonable and proportionate lending checks before approving Mr K's application and didn't agree it lent irresponsibly. Mr K's representatives asked to appeal and said CATO wasn't a reliable way to verify a borrower's income. Mr K's representatives also queried the disposable income figure Halifax reached and pointed out that, as a homeowner, Mr K had increased costs. As Mr K 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, the rules say Halifax had to complete reasonable and proportionate checks to ensure Mr K 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.

I've set out the details Halifax used when considering Mr K's application above. As a starting point, I've seen the credit file results and can confirm no adverse information or recent missed payments were noted by Halifax. I can see Mr K had a reasonably large level of unsecured debt, with monthly repayments of £1,166 being used by Halifax. But Mr K's repayments were up to date and I think Halifax makes a reasonable point when it says the new account came with a balance transfer offer that he went on to use. I'm satisfied Halifax used a reasonable level of repayments in its lending assessment.

Halifax applied estimates for Mr K's regular living expenses obtained from nationally recognised statistics – an approach it's allowed to take under the relevant lending rules. In addition, Halifax used CATO to help verify Mr K's regular income and outgoings. I understand Mr K's representatives have raised concerns about that approach, but I'm satisfied the use of CATO was reasonable in addition to the other information Halifax used when considering the application.

Halifax's lending calculations show it calculated an estimated disposable income figure of £208 a month after Mr K's outgoings were met. I've looked at the figures Halifax used and reached £289 a month, so it appears to me that either the new monthly repayment for Mr K's credit card was taken into account or a buffer was also applied before reaching the disposable income figure.

In addition, whilst I note Mr K's representative's comments about him being a homeowner, I note from the credit file they provided his monthly mortgage payment was £547. But I can see Halifax used a housing cost of £637 in the assessment it completed. So whilst I understand Mr K was paying a mortgage and had associated costs at the point of application, I'm satisfied Halifax used a reasonable figure when considering his housing costs each month.

In my view, the level and nature of checks Halifax completed were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve a new credit card with a limit of £2,000 was reasonable based on the information Halifax obtained. I'm very sorry to disappoint Mr K but I haven't been persuaded that Halifax lent irresponsibly or treated him unfairly.

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 K 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 K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 6 June 2025.

Marco Manente  
**Ombudsman**