

The complaint

Mrs B complains that Bank of Scotland plc trading as Halifax refused to provide her with a consolidation loan to combine her credit card and overdraft debt.

What happened

Mrs B holds a credit card account and a bank account with an overdraft facility with Halifax.

On 9 March 2024 Mrs B contacted Halifax and agreed a proving plan for a consolidation loan. At the time of agreeing the plan, the overdraft on Mrs B's current account wasn't being utilised, so it was only the credit card which required a payment plan, with a view to consolidating it into a loan.

When the proving plan ended in August 2024, Mrs B had utilised her overdraft on the current account. Halifax assessed a refinance loan but declined it as the overdraft debt hadn't been included as part of the proving plan. In addition, Mrs B's financial position regarding affordability had changed when the refinance loan was assessed, and Halifax decided that it didn't meet the criteria for the refinance loan. Halifax offered Mrs B an alternative repayment plan, but she wasn't happy with this.

Mrs B complained to Halifax. She said she'd been promised a consolidation loan to repay her credit card and overdraft and she felt that she'd been treated unfairly.

Halifax issued a response in which it said it appreciated that Mrs B's overdraft had been discussed on the call on 9 March 2024 but explained that when a repayment plan is set up the system takes a snapshot of accounts at the time. Halifax explained that the overdraft was correctly not included in the plan because Mrs B's current account was in credit at the time. Halifax said that when Mrs B called in September 2024 after the payment plan had finished, it had carried out an assessment of her income and expenditure and had found that it wasn't affordable for her to repay the full outstanding balances of the credit card and the overdraft within the term used for consolidation loans. Halifax said it was sorry if it hadn't been made clear to Mrs B what the process would entail and offered compensation of £75 for any frustration caused and, in a subsequent response, further compensation of £150 for the time it took to respond to Mrs B.

Mrs B remained unhappy and brought her complaint to this service.

Our investigator didn't uphold the complaint. He said that when Halifax assessed the consolidation loan for affordability, it was no longer viable. The investigator said that as a responsible lender Halifax was under an obligation to ensure that any lending applications met its criteria, and that a loan was never guaranteed until it was applied for. The investigator said that Halifax had followed its processes correctly and hadn't done anything wrong, but that the compensation offered by Halifax for any distress and inconvenience caused was fair.

Mrs B didn't agree. She said the compensation wasn't enough. Mrs B said the failure to give her a consolidation loan had left her unable to sleep and reluctant to communicate with

Halifax again. Mrs B said she agreed that Halifax needed to assess affordability but said she had some disposable income and could've afforded a smaller consolidation loan and repayment plan. Mrs B said she believed that she'd been offered a loan when she contacted Halifax in March 2024 and asserted that the offer of a loan had only been withdrawn because she had made a separate complaint about irresponsible lending. Mrs B said she didn't want a consolidation loan anymore, but she wanted more compensation.

Because Mrs B didn't agree I've been asked to review the complaint.

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.

I know it will disappoint Mrs B, but I agree with the investigators opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on those points which are most relevant to my decision. If I don't comment on a specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I've listened to the call between Mrs B and Halifax dated March 2024 when the consolidation loan was discussed. It was explained to Mrs B during the call that for the proving period of 6 months she would pay £37.63 starting on 18 March 2024. Mrs B mentioned her overdraft during the call and was advised the fees and interest would be stopped, but that she'd still be able to use the account. The agent gave Mrs B indicative loan payments during the call but because the overdraft facility wasn't being used at the time, the indicative payments were based on the credit card balance only.

Having listened to the call I think the agent could have been clearer with Mrs B that the indicative loan payments only included the credit card.

I appreciate that Mrs B made all payments due for the 6 month proving period and that she expected to be offered a consolidation loan when she called in September 2024. I've also reviewed this call. During the call, the agent discussed Mrs B's financial circumstances and went through her income and expenditure. An assessment was then carried out to see whether Mrs B was eligible for a consolidation loan, but it was determined that Mrs B didn't meet the affordability criteria.

I've taken account of what Mrs B has said about having some disposable income and being able to afford to repay a smaller loan. However, at the time of the application for the consolidation loan, Mrs B owed a balance on her credit card and her overdraft, so both debts were taken into account in the assessment. Ultimately, Mrs B didn't meet the criteria for the consolidation loan.

I appreciate that Mrs B believed that she'd been promised a consolidation loan. Having listened to the call dated March 2024, I haven't found any evidence that Halifax promised the loan. Halifax – like all lenders – are required to assess all loan applications for affordability at the point when the loan application is made. Mrs B herself has said that she understands and accepts that Halifax needed to assess affordability.

Looking at what happened, I'm unable to say that Halifax has made an error here or treated Mrs B unfairly. I acknowledge that Mrs B believed that she'd been promised the loan and was left feeling very disappointed when it was declined. I've read what Mrs B has said about the impact that the loan being declined had on her and I'm sorry to hear that she went

through such a difficult time.

I've thought about whether the compensation offered by Halifax goes far enough to resolve the complaint. As I've said above, I don't think that Halifax made an error in its processes and procedures. But I do think the agent could have been clearer with Mrs B during the call in March 2024 about the fact that her overdraft wasn't included. That's not to say the information provided in the call dated March 2024 was incorrect – it wasn't.

I've also taken into account the fact that Halifax took a long time to respond to Mrs B when she complained. This has caused further distress.

Taking everything into account, I'm satisfied that the compensation offered - £225 in total – is fair and reasonable. I won't be asking Halifax to increase the compensation.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 14 May 2025.

Emma Davy
Ombudsman