

The complaint

Mr M, who is represented by a third party, has complained about an overdraft that Bank of Scotland plc, trading as Halifax ('Halifax') agreed to provide to him. He says the overdraft shouldn't have been provided because he was already in financial difficulties.

What happened

Halifax provided Mr M with an overdraft with an initial limit of £1,000 in September 2018. The limit was raised to £1,050 in October 2018 and then to £1,500 in December 2022, after Mr M applied for each increase.

One of our investigators reviewed what Mr M and Halifax had told us. And she thought Halifax hadn't done anything wrong or treated Mr M unfairly in relation to providing the overdraft. She also looked into the way Mr M was managing his finances to see if he'd become over-reliant on it. As a result, she didn't recommend that Mr M's complaint be upheld.

Mr M disagreed and asked for an ombudsman to look at his 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr M's complaint.

Halifax needed to make sure it didn't lend irresponsibly. In practice, what this means is Halifax needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay any credit it provided.

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 goes on, 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.

Halifax says it agreed to Mr M's initial overdraft application and his limit increases after looking into his specific circumstances. This included obtaining information about his income, carrying out a credit search and looking at his credit history. It also carried out an affordability assessment.

I've thought carefully about what Mr M and Halifax have said, looking at the initial overdraft application and the two successful applications to have it increased. I've seen the data and

information Halifax relied on for each lending decision. The credit check didn't show any recent adverse markings in his credit history, such as late payments or a build-up of arrears with credit he held elsewhere. The affordability assessment was based on a calculation that used Mr M's stated income and housing costs as its starting point. It then made allowance for his essential spending, such as his credit commitments and other essential living costs, such as food and travel. The essential living costs data was based on statistical information, using factors such as age, income and where the applicant lives. Mr M was found to have a disposable income each month of around £500.

For the initial application, the overdraft facility appeared to be affordable. The checks for each of the two overdraft increases showed them to be affordable as well, with the affordability calculation again suggesting that Mr M would have a disposable monthly income of around £500 for the overdraft limit increase of £50 – which isn't surprising as it was less than a month later. For the second increase, in December 2022, the level of calculated disposable income was £760, reflecting Mr M's increased level of income by then.

I've also taken the opportunity to look through Mr M's Halifax bank statements - both in the lead up to the overdraft being provided and before it was increased on each occasion. I've also looked at a copy of his credit report. Having done so, I agree with our investigator that the checks each time were reasonable and proportionate and had regard to the way Mr M had been using his account.

I've also thought about whether Halifax should have done more to help and support Mr M.

First, I've seen that Halifax reached out to Mr M on at least 12 occasions between October 2020 and March 2024 to remind him about his overdraft use, how much it was costing him and to consider reducing his use of it. Eight of those communications look to have taken place between the overdraft being granted and the second increase, in December 2022.

Mr M and those representing him say that his level overdraft use shows he was over-reliant on it and that it pushed him to borrow elsewhere. I don't agree and I'll explain why.

I've seen that Mr M started using his overdraft regularly once it was granted in 2018, along with the increase a month later. His reliance on it continued going forwards. I note that there was period when his paid work had reduced or discontinued when he was receiving state benefits for around four months. During that time he was also using online gambling – something that can be a potential indicator of concern. He appears to have started getting regular income again from July 2019, when his level of reliance on his overdraft reduced. Like our investigator, I have seen that between late 2018 and late 2019 Mr M did on occasion have returned payments occasionally went over his credit limit – although when that happened it was only for a few days.

Moving into 2020, Mr M was again making regular use of his overdraft. I can see this partly reflected his variable level of income. He occasionally reached close to his overdraft limit but rarely went over it, and if he did so it was only for a few days. This pattern of use continued in 2021 and 2022. I don't think this pattern was ideal but nor can I say that I've seen enough to suggest that Mr M's financial circumstances were at risk of or were actually deteriorating. His credit report doesn't suggest problems with his existing credit or that he was having to borrow elsewhere to help him meet his regular levels of committed spending.

I should add that I'm not saying Mr M wasn't having to be careful with his usual spending. I can see from his bank statements that he was clearly aware of his overdraft limit and that he was taking steps to keep within its limit when he was getting close to it. And Halifax was writing to him every few months to ensure he remained aware of this, how much it was

costing him and what he could do to help reduce his reliance on it. I haven't seen anything to suggest that Mr M reached out to Halifax to say he was experiencing some level of financial hardship. Ultimately, I can't say that Mr M's use of his overdraft, in circumstances where he was permitted to do so and where there were no obvious signs of financial stress, means that Halifax ought reasonably to have taken unilateral action. Beyond making him aware that his ongoing overdraft use was a concern, I don't think Halifax needed to do more. And given the variable nature of Mr M's income, action taken by Halifax, such as being suddenly denied some or all of the overdraft credit it had initially agree to, could potentially have put him into a level of financial difficulty, at least in the short term.

Overall, I'm therefore broadly in agreement with our investigator. I don't think Halifax treated Mr M unfairly or unreasonably when providing him with his overdraft or his two limit increases. And I think it did enough to support Mr M given the pattern and nature of his overdraft use. I'm therefore not upholding Mr M's complaint.

I've considered whether the relationship between Mr M and Halifax 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 M 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

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 July 2025.

Michael Goldberg

Ombudsman