

The complaint

Mr W complains that Bank of Scotland plc trading as Halifax was irresponsible in its lending to him and hasn't done enough to rectify this. He wants his loan written off, additional compensation and a reassessment of his repayment plan.

What happened

Mr W was provided with a £5,000 loan by Halifax in December 2023. The loan term was 60 months and Mr W was required to make monthly repayments of around £150. Mr W explained that at the time the loan was provided he was vulnerable having been the victim of a sophisticated scam and that he had several other loans outstanding and was struggling to meet his commitments. He said the loan made his financial situation worse and has negatively affected his mental health.

Halifax issued a final response letter dated 19 December 2024. It upheld Mr W's complaint saying that although he passed its checks, additional information showed that he had taken out three further loans before the Halifax loan which it potentially wouldn't have seen on his credit file at the time the loan was provided. Based on this high level of lending Halifax said it didn't think it was suitable that the loan was given. As it upheld Mr W's complaint it refunded the interest that had been applied and confirmed that as the loan had defaulted in May 2024 no further interest would be added. It paid him £100 compensation for the upset he had been caused. Halifax said that the default would be removed from Mr W's credit file in May 2030 unless he repaid the outstanding balance sooner at which point he could contact it and the default would be removed.

Mr W referred his complaint to this service. He didn't think that Halifax had done enough to settle his complaint and said his loan should be written off.

Our investigator thought the actions Halifax had taken in response to it upholding the complaint were reasonable and in line with what we would expect (noting that compensation had also been paid).

Mr W didn't accept our investigator's view. He noted the action Halifax had taken but didn't accept this was enough. He said that Halifax failed to identify or act on signs of vulnerability and didn't think he had been treated with the level of care he should have been. He noted that this loan was part of a wider issue that left him financially overwhelmed and unable to cope which he thought needed to be considered in the context of this complaint. He asked that the negative information about this loan be removed immediately from his credit file, and for further compensation to be paid and a reassessment of his repayment plan to take place in light of his vulnerability.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman to issue 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.

I am sorry to hear of the experience Mr W has had, and I do not underestimate the financial and emotional strain he has suffered. I understand that Mr W was the victim of a scam and the upset this will have caused and I appreciate that he took out other loans around the time of this loan. I have kept these wider circumstances in mind, but my decision is about whether Halifax has taken adequate action in response to Mr W's complaint.

Mr W raised his irresponsible lending complaint with Halifax. Halifax said that Mr W met its assessment checks, but it noted the additional borrowing that Mr W had taken on at the time. Based on Mr W's high level of borrowing it said the Halifax loan was unsuitable for Mr W and it upheld his complaint.

When a complaint about irresponsible lending is upheld, we would usually expect the business to remove any interest and charges from the loan and ensure that the borrower is only required to repay the capital amount borrowed. If, following a refund of interest, it is found that the borrower had overpaid, then we would expect these amounts to be refunded along with interest. We would then expect any adverse information recorded about the loan to be removed from the borrower's credit file once the loan had been repaid.

In this case, Mr W's loan account defaulted in May 2024 and Halifax has confirmed that there would be no further interest or charges and that it had refunded all interest that had been paid. Therefore Mr W will only be required to repay the amount he borrowed. I understand that Mr W wants his loan written off but I do not think this is required. Mr W applied for the loan and received the money and I think the fair resolution is for him to repay the amount he borrowed.

After the refund of interest on this loan, Mr W was left with an outstanding balance, therefore there were no overpayments and so no further refunds or interest needed to be applied. Mr W was also paid £100 compensation by Halifax which is additional to the redress we would usually expect.

I understand that the loan has defaulted, and this is affecting Mr W's credit file. I appreciate that Mr W wants his credit file amended immediately. However, Halifax has said that the default will be removed in May 2030 (six years after it was applied) unless Mr W repays the loan sooner. If this happens Mr W can contact Halifax, and the default will be removed. As this approach is in line with what we would expect to happen, I do not require Halifax to do anything differently in regard to this.

As Mr W still has an outstanding balance we would expect Halifax to work with him in regard to an affordable repayment plan. I understand that a repayment plan is in place but if this isn't suitable for Mr W he should contact Halifax about this. We would expect Halifax to treat Mr W positively and sympathetically in regard to the repayment of the remaining balance.

In conclusion, I appreciate that Mr W feels that Halifax should do more in response to the experience he has had. But in this case, I find that the actions Halifax has taken following it upholding Mr W's complaint are fair.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 2 October 2025.

Jane Archer
Ombudsman