

The complaint

Mr Q complains that Halifax acted irresponsibly when it authorised and increased his overdraft limits without reasonable and proportionate checks being conducted and it failed to spot signs of gambling. This resulted in financial difficulty for Mr Q and impacted his mental health.

What happened

Mr Q has held a current account with Halifax since June 2012. In February 2018 the overdraft limit was authorised at £100 and between then and August 2021, the limit increased and decreased until the last increase to £2,250. In April 2024 the limit was decreased to £100 where it remained. This was after Mr Q was able to reduce the debt by using a cost of living payment Mr Q received from the civil service.

In December 2021, whilst the overdraft limit was at £2,250, Mr Q reached out to Halifax for help as he was struggling financially. Halifax refunded Mr Q £30 of fees and put a 30 day hold on his account.

In January 2024 Mr Q complained to Halifax that it had been irresponsible when it approved his overdraft and limit increases and failed to assess patterns of debt and borrowing.

On 1 March 2024 Halifax issued Mr Q with a final response letter ("FRL"). Within the FRL, Halifax said that he had referred his complaint to it too late, although it later corrected this to say Mr Q was within the timescales. Halifax explained how it would have assessed Mr Q's affordability concerning the increases of limit over the last six years and didn't uphold the complaint and said it was satisfied it hadn't acted irresponsible in approving and increasing his overdraft limit. Halifax also signposted Mr Q to debt and gambling charities within the FRL.

Unhappy with the response from Halifax, in June 2024 Mr Q brought his complaint to us.

Mr Q's complaint was considered by one of our investigators who didn't uphold the complaint and concluded that Halifax didn't need to take any further action.

As Mr Q didn't accept the investigator's view, the complaint was passed to me for review and decision.

On 8 May 2025 I issued a provisional decision on this case. In summary I said:

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 can confirm that I've reached a different conclusion as to the investigator.

I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues

here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities.

The rules lenders must follow are set out by the industry regulator, the Financial Conduct Authority, in its Consumer Credit Sourcebook (CONC). CONC 5D.2 and 5D.3 set out what a business must do to intervene where a customer is repeatedly using their overdraft.

CONC 5D.2 sets out a business' obligation to identify and monitor repeat use of overdrafts and its obligation to identify customers in actual or potential financial difficulty. Some examples of things that might indicate financial difficulties are given here. For instance, use of other products which may indicate a fall in disposable income, an upward trend in a customer's use of the overdraft over time or where a customer has become or remained overdrawn in every month over a 12-month period.

CONC 5D.3 sets out what interventions the business should take in cases of repeat overdraft users.

Where there are signs that a customer is (or might potentially be) suffering financial difficulties, CONC 5D.3 sets out that the business must:

- Communicate with the customer highlighting the pattern of use and whether this is resulting in high avoidable costs AND encourage the customer to contact them about their situation AND provide contact details of debt advice charities.*
- If after a reasonable period of time the pattern continues and the customer hasn't made contact, the business must take reasonable steps to contact the customer to set out suitable options designed to help the customer.*
- If the customer still doesn't engage with the business the business must after a reasonable period, consider whether to continue offering the overdraft facility and whether to reduce it, so long as this doesn't cause the customer financial hardship.*

Given this, I've considered whether Halifax has acted fairly and in line with its obligations under CONC.

Did Halifax conduct proportionate checks prior to making its lending decisions?

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.

So before agreeing to approve or increase the credit available to Mr Q, Halifax needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There isn't a prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include – but are not limited to the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. And it's important to note that an overdraft is designed for short term borrowing. I'd also expect Halifax to think about Mr Q's ability to repay the whole borrowing in a reasonable period.

Halifax told us that when it first granted Mr Q the initial overdraft limit of £100 in February 2018, Mr Q had told them within the application he had a monthly income of £1,500 (although Mr Q subsequently told us this was in fact £1250). And from what the credit checks revealed and given the nominal limit, this was affordable for Mr Q. And I agree. Halifax told us that with each subsequent increase, given the income and expenditure and the lack of any adverse information from the credit files, they were affordable for Mr Q.

Halifax hasn't provided us with the raw data from the credit checks and so we asked Mr Q for some further information. Mr Q very kindly provided us with statements from his Monzo current account, his credit file and what his income and expenditure was over the following years. Unfortunately the credit file only goes back a few years and so I'm unable to say what Halifax would have seen but from what Halifax told us, at each credit limit increase application, there were no defaults or missed payments that would indicate Mr Q maybe facing financial difficulty. And looking at Mr Q's Halifax current account, it was generally well maintained. Mr Q told us Halifax used estimated figures for his expenditure but from the figures Mr Q provided us, I'm not convinced Halifax still wouldn't have granted the overdraft limit increases. And the income details Mr Q has supplied is consistent with what I've seen from his Halifax statements.

Mr Q told us that he was also sharing the financial burden of credit taken out by his ex-girlfriend, with potentially Mr Q paying between £300 to £700 a month between his Halifax and Monzo accounts. But Halifax wouldn't have been aware of this given the credit was taken out in his ex-girlfriends name and the payments were spread over two different accounts.

I can see that in 2020 Mr Q's Monzo account was in the main well maintained but by the latter parts of 2021, the account was constantly overdrawn. And this is a similar picture to Mr Q's Halifax account. But on balance, from the information I've seen, I'm satisfied Halifax conducted reasonable and proportionate checks prior to each lending decision, including the last increase in August 2021.

Halifax's responsibility to monitor Mr Q's overdraft usage

I've looked at the statements from 2018 onwards that Halifax provided us and I can see that from 2018 up until the early part of 2021, Mr Q was in the main, using his overdraft facility, as it had been intended for, short term borrowing. I haven't seen that he exceeded his agreed limits during this time and there were no direct debits returned. He wasn't constantly overdrawn and his account balanced varied, with his monthly income reducing the debt each month.

I have noticed however, there were instances of payments to gambling sites and possible evidence of compulsive spending. But it's not for us or banks to dictate what a consumer spends their money on, so long as any compulsive spending is not the cause of financial difficulty. And if it was, I'd expect the bank to step in with appropriate support. Halifax told us that it didn't deem Mr Q's level of gambling to be inappropriate and on balance I agree.

Whilst there are elements of gambling, I don't consider these to be excessive and I've seen evidence of winnings being paid into the account.

Halifax also told us Mr Q was able to put away £150 a month towards a holiday fund and had managed to save up £3,000 between September 2021 and December 2021. But this wasn't right as Mr Q pointed out to us. Had Halifax looked a bit closer at the £150 transfers, it would have seen that very shortly after the transfer out, Mr Q transferred the money back into his current account. Whilst saving for a holiday at that time might have been an aspiration of Mr Q, I think the reality was, from the evidence I've seen, it wasn't affordable for him at that time.

And in 2021 there were five limit increases within four months, with two in June 2021. In May 2021 the limit increased to £650 but by August 2021, the credit limit was at £2,250. I think these increases in quick succession should have alerted Halifax to potential financial difficulty. And whilst Mr Q hadn't exceeded his agreed credit limit during this period, he did regularly near it.

Mr Q approached Halifax in December 2021 regarding his financial difficulties and as a result it refunded Mr Q £30 in fees and added a 30 day hold on his account. But I don't think this support went far enough.

As highlighted above, the CONC regulations puts the onus on lenders that an overdraft is not generally suitable for long term use. So as well as needing to act responsibly when it took each decision it agreed to increase Mr Q's credit limit – ensuring that the overdraft was sustainably affordable without the need for Mr Q to borrow more – Halifax also needed to monitor and review his overdraft usage. And where it identified a pattern of repeat usage, as with Mr Q's account, it needed to take steps to try and reduce it. And on balance, I'm not satisfied Halifax have done this. I say this as Mr Q obviously felt the need to contact Halifax in December 2021 to tell them he was struggling financially and I think this is when Halifax should have considered further options in addition to paying him £30 and putting the account on hold.

Given the increases in quick succession in 2021, I think a clear pattern was beginning to emerge regarding Mr Q's finances. Mr Q would apply for a limit increase, use up all the funds, getting close to the limit before applying for further limit increases. And in the latter stages of 2021, Mr Q's income was insufficient to pay off the overdraft debt each month and he remained constantly overdrawn. Mr Q told us that he had to make further payments in order to get his master's degree that his student loan didn't cover and also pay transfers from credit cards into his Halifax account in an attempt to bring down the debt.

And I think Halifax should have realised this if they had looked closer at Mr Q's account when he reached out for help and that in essence, Mr Q was reliant on hardcore borrowing and that the overdraft wasn't sustainable at that point. And I think the fact that Mr Q felt the need to significantly reduce the overdraft limit eventually back to £100 is evidence that it wasn't sustainable.

So I don't think Halifax acted fairly when Mr Q reached out for support in December 2021 and it failed to take further appropriate action.

Did Halifax act unfairly in any other way?

I've also considered whether Halifax have acted unfairly or unreasonably in any other way and if an unfair relationship existed between Halifax and Mr Q, as defined by section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I've directed above results

in fair compensation for Mr Q in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I then explained what Halifax should do to fairly and reasonably compensate Mr Q.

Mr Q agreed with my provisional findings but Halifax disagreed with them. In its response to my provisional decision Halifax said, in summary, that Mr Q had a sufficient disposable income to repay the overdraft over a reasonable period of time, it considered he wasn't in financial difficulty when he contacted Halifax in December 2021 but acknowledged he was a repeat user and said that his financial position had improved by November 2022. However, this was almost a year after Mr Q reached out for help.

Mr Q also provided some additional points for our consideration, telling us that when he contacted Halifax in December 2021, whilst he had hoped his increase in income would help his finances, he was struggling financially and this was affecting his mental health. And despite an increase in income, this also coincided with an increase in rent and other bills due to a change in circumstances.

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.

And whilst I acknowledge that both Mr Q and Halifax have made reasonable arguments, on balance I think Mr Q wasn't just showing signs of repeat use of the overdraft, which it isn't designed for, but also that he was struggling financially. I say this as he was constantly using his overdraft, nearing the limit each month and had applied for a number of credit limit increases in quick succession, which Halifax should have noticed. And in doing so he was showing a pattern of applying for an increase as he neared the limit of his current agreed limit and so in essence, appeared reliant on hard core borrowing.

So with the above in mind and given that Mr Q has accepted my provisional findings I can confirm that I have no reason to depart from them and I now confirm them as final.

My final decision

Bank of Scotland Plc trading as Halifax must:

- Re-work Mr Q's current overdraft balance so that any additional interest, fees and charges applied from December 2021 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Bank of Scotland Plc trading as Halifax should contact Mr Q to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr Q's credit file, it should backdate this to December 2021.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr Q, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding

balance remains after all adjustments have been made, Bank of Scotland Plc trading as Halifax should remove any adverse information from Mr Q's credit file.*

*HM Revenue & Customs requires Bank of Scotland Plc trading as Halifax to take off tax from this interest. Bank of Scotland Plc trading as Halifax must give Mr Q a certificate showing how much tax it's taken off if he asks for one.

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

Paul Hamber
Ombudsman