

## The complaint

Ms H complains Bank of Scotland plc trading as Halifax (BoS) lent to her irresponsibly.

## What happened

In November 2023, Ms H complained about BoS' lending decisions below, and their failure to adequately monitor her use of the overdraft:

Date	Overdraft limit
22 November 2018	£150
3 December 2018	£300
13 December 2018	£450
19 December 2018	£630
26 December 2018	£760
29 December 2018	£880
3 January 2019	£950

BoS didn't think they'd done anything wrong when they investigated Ms H's complaint. As such, they didn't agree that interest and charges needed to be refunded.

Ms H's complaint was referred to our service and reviewed by one of our Investigators. She thought BoS shouldn't have accepted Ms H's initial application for an overdraft because she'd had returned direct debits in the months preceding.

BoS disagreed with our Investigator for the following reasons:

- Returned direct debits do not mean a customer isn't eligible for an overdraft – rather they could be a reason they need one. And the returned direct debits were due to Ms H's management of her account, not financial difficulties.
- Repaying the overdraft at the highest limit of £950 would cost approximately £79 per month, plus interest. This amount appears to be affordable for Ms H. However, the overdraft wasn't repaid due to choice with high spending on her account.
- Ms H has an external account elsewhere which should also be a factor in determining the affordability of the overdraft. And some of the money Ms H transferred to this other account, could have been used to repay the overdraft.
- Ms H has had lump sum payments into her account over the years, and these repaid the overdraft in full. However, her overdraft was used again due to choice.

Our Investigator wasn't persuaded to change her mind, so Ms H's case was passed to me for a decision.

I issued my provisional decision on 30 May 2025, and explained I wasn't minded to uphold Ms H's complaint. Both parties had until 13 June 2025 to send me any further evidence they wanted me to consider.

BoS accepted my provisional decision, and Ms H didn't respond. So, my decision has remained the same.

### **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.

Having considered everything, I'm not upholding Ms H's complaint. I'll explain my reasoning below.

We've set out our general approach to complaints about unaffordable/irresponsible lending – including the key rules, guidance, and good industry practice on our website. And I've referred to this when deciding Ms H's complaint.

BoS needed to make sure they didn't lend irresponsibly. In practice, what this means is BoS needed to carry out proportionate checks to be able to understand whether Ms H would be able to repay what she was being lent before providing any credit to her.

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 they gather and what they do to verify it) in the early stages of a lending relationship.

But we might think they 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.

Ms H applied for her overdraft in November 2018. In this application she said her income was £610 and she had no housing costs. BoS estimated her essential costs (for groceries, utilities, clothing, etc) to be £300 and their credit checks showed she was paying around £31 per month for her unsecured credit commitments. BoS also added a £50 buffer to their figures, and this left Ms H with a disposable income of £279.

Our Investigator said that because BoS had access to Ms H's statements, they ought to have known she had returned direct debits in the month prior to applying for her overdraft. While BoS did have access to Ms H's statements, I can't ignore the fact she was only asking for a £150 credit limit. This is relatively low, and their checks didn't show up anything particularly alarming to warrant them carrying out additional checks. So, I can't agree it would have been proportionate for them to review her statements in such detail before agreeing to lend to Ms H. Given Ms H's disposable income, she ought to have been able to repay a £150 overdraft within a reasonable period of time. So, I'm satisfied BoS treated her fairly when they approved her initial overdraft limit.

Around 10 days later, in early December 2018, Ms H applied to increase her overdraft to £300. She stated her monthly income had increased to £1,000 and that she still had no housing costs. BoS' checks showed her other commitments remained the same, leaving her with a disposable income of £669 a month. I've not seen their checks showed anything that might suggest additional borrowing would be unaffordable/unsustainable, so again I consider BoS lent to Ms H fairly.

In the remaining weeks of December 2018, Ms H applied to increase her overdraft another four times. These applications were in quick succession. However, that isn't wholly unusual

for this type of lending - and alone isn't enough to conclude BoS were obligated to carry out more thorough checks than normal.

For these subsequent limit increases (£450, £630, £760, and £880) Ms H declared her monthly income had increased to £1,500 and her housing costs remained the same at £0. BoS' checks showed her unsecured credit commitments had increased to £49, but her essential living costs of £300 and their buffer of £50 remained the same. This left Ms H with a monthly disposable income of £1,151 for the first two increases that month, and £1,101 for the latter two. This would have been enough for Ms H to repay her overdraft. In the absence of anything from BoS' checks to suggest Ms H might struggle to repay it, I consider their decision to lend was fair.

The final credit limit increase in January 2019 was for £950. In this application Ms H's income and expenditure remained the same, meaning she still had a disposable income of £1,101. Again, I've not seen anything that persuades me additional checks were warranted here, and as she had a healthy disposable income each month, BoS didn't act unreasonably by agreeing to lend.

While I'm satisfied BoS' lending decisions were fair, they were expected to ensure the lending remained affordable and Ms H could repay what she owed in a reasonable period of time. We would have expected BoS to have monitored Ms H's use of her overdraft at least annually. And in responding to our service, BoS have said their annual reviews would have shown Ms H had sufficient disposable income to repay her overdraft.

BoS has provided us with Ms H's statements from 2018 to 2023, when Ms H raised her complaint. And given the points they raised regarding Ms H having another account, Ms H has provided me with her statements from that account and they cover the same time period.

I've reviewed Ms H's use of her accounts throughout the years but also paid particular focus on the three months prior to the overdraft renewal date in November each year. Having done so, I can see that Ms H would frequently use her full overdraft limit. But that alone isn't enough for me to conclude the lending was unaffordable.

Yes, Ms H was frequently at the upper end of her overdraft. However, her monthly income (minus the benefits she received on behalf of her son and transferred to him) and other deposits, could and would repay most – if not all of her overdrawn balance. However, the volume of discretionary spend from her account is what brought her back into her overdraft and to its upper limit.

I did see occasions where Ms H had returned direct debits in the months prior to her renewal date. But these were often direct debits for discretionary spend, and/or it was her pattern of discretionary spending that led to this happening. And this was a consistent pattern each year from the first renewal in 2019, through to 2023.

Overdrafts are intended for short term borrowing. So, it's clear Ms H wasn't always using her account in line with this expectation. So, BoS ought to have contacted her about this to ensure she understood and didn't become reliant on borrowing. However, just because Ms H didn't use her account as we'd expect, I still can't ignore that she did have the disposable income to repay her overdraft within a reasonable period of time.

Ms H might argue that from 2022 she started to pay debt collecting agencies for other accounts she held. So, I can understand why she might argue this ought to have indicated to BoS she was in financial difficulties. However, even with those repayments, she still had enough of a disposable income to repay her overdraft – and if anything, having that buffer

might have been beneficial. Additionally, by the time of her 2023 renewal, payments to debt collecting agencies had reduced, suggesting her circumstances were improving.

Ultimately, it was Ms H's discretionary spend that never reduced and caused her to use the amount of her overdraft that she did. And I don't consider it would be fair or reasonable to ignore that fact when determining if the borrowing remained affordable or sustainable. So, I don't think BoS treated her unfairly by keeping the overdraft in place.

I understand Ms H contacted BoS last year and explained she was experiencing financial difficulties. So, I would expect BoS to work with her and support her with this.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think BoS lent irresponsibly to Ms H or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

Given the above, I don't consider BoS needs to do anything to put things right.

### **My final decision**

My final decision is that I'm not upholding Ms H's complaint about Bank of Scotland plc trading as Halifax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 14 July 2025.

Sarrah Turay  
**Ombudsman**