

The complaint

Mr H complains Bank of Scotland plc trading as Halifax (BoS) lent to him irresponsibly when they granted him an overdraft and failed to ensure it remained affordable.

What happened

Mr H complains about BoS' lending decisions below, and says they failed to monitor his use of the overdraft to ensure it remained affordable:

Date	Overdraft limit
6 December 2017	£300
6 December 2017	£500
6 December 2017	£1,000

As Mr H complained more than six years after the overdraft was taken out, BoS' final response didn't comment on their initial lending decision. However, they looked into Mr H's use of his overdraft during the previous six years and explained they considered the overdraft was affordable. Mr H remained unhappy, so he brought his complaint to our service.

Our Investigator felt BoS' initial lending decisions were in our jurisdiction. BoS accepted this and explained that having looked at Mr H's circumstances around December 2017, they felt they lent to him fairly.

Once our Investigator concluded her investigations, she explained BoS should have intervened at the December 2018 renewal. This was because Mr H hadn't seen a credit balance for a prolonged period of time, and this suggested he may have been experiencing financial difficulties.

BoS disagreed with our Investigator and maintained they considered the overdraft remained affordable. So, this complaint was passed to me for a decision.

I issued my provisional decision on 11 June 2024 and explained I wasn't minded to uphold Mr H's complaint. Both parties were given until 25 June 2025 to respond.

BoS accepted my provisional decision, but Mr H didn't. He maintained that had BoS properly monitored his overdraft usage, they would have seen had become reliant on it.

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 Mr H's complaint. I'll explain my reasoning below.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. This is something BoS is familiar with, and I've used this approach to help me decide Mr H's complaint.

BoS needed to make sure they didn't lend irresponsibly. In practice, this means they needed to carry out reasonable and proportionate checks so they could understand whether Mr H could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an "affordability assessment" or "affordability check".

The checks needed to be borrower focused – meaning BoS had to consider if repaying the credit sustainably and within a reasonable period of time would cause difficulties or adverse consequences for Mr H. It wasn't enough for BoS to consider the likelihood of getting their funds back – they had to consider the impact of the repayments on Mr H.

Checks also needed to be proportionate to the specific circumstances of the lending. What constitutes a proportionate affordability check will depend on several factors, but not limited to, the particular circumstances of the consumer, and the amount/type/cost of credit they were seeking. So, I've kept all this in mind when thinking about whether BoS did what they needed to before lending to Mr H.

Mr H applied for his overdraft in December 2017, and all lending decisions took place on the same day. BoS has provided us with their application data, and this shows Mr H declared he was self-employed, earning around £1,600 a month. He said he wasn't paying anything towards housing costs, and he had monthly commitments totalling £100 a month. With a monthly disposable income of £1,500, BoS' checks suggested Mr H had sufficient disposable income to afford each of the credit limits he applied for. Given the time that's passed, we've not been provided with information from either party to show what BoS' credit checks would have shown. But in the absence of anything to suggest there may have been any negative markers, I don't consider BoS needed to carry out additional checks – in turn, I'm persuaded they treated Mr H fairly when they lent to him.

While I'm satisfied BoS lent to Mr H fairly, they were still obligated to ensure the overdraft remained affordable and sustainable. We would have expected BoS to have monitored Mr H's use of his overdraft at least annually. And in responding to our service, BoS have said their annual reviews would have shown Mr H's overdraft remained affordable.

BoS and Mr H have provided us with copies of Mr H's statements for his account with the overdraft, ending 2664. They've also provided me with statements for another account Mr H held, ending 6969. I've reviewed these statements for the timeframe complained about but paid particular attention to Mr H's management of his account for the three months prior to the December renewal points.

Having reviewed Mr H's statements, I agree with our Investigator that he was frequently at the upper end of his credit limit. However, I don't agree that his complaint should be upheld from December 2018. That's because a customer can utilise their full overdraft limit for a number of reasons – not just because they're in financial difficulties. And Mr H's statements suggest it was his management of his funds that resulted in him using his overdraft so frequently.

Mr H's monthly income wasn't always consistent, but when looking at the renewals, the only time his income was noticeably lower was around the December 2018 renewal. But having said that, in November 2018 his income was around £1,300, so not too different from what he'd declared in his application and his essential spend on the account still left him with enough disposable income to repay his overdraft. So, I do think had BoS removed Mr H's

overdraft at this point, they would have done so prematurely. And the following months' statements support this when you consider the income he received.

At each renewal point, Mr H's statements show he had more than £1,000 of disposable income each month, meaning he could afford his overdraft. And even after receiving his income and/or large deposits (some up to over £7,000) that could/would repay his overdraft, it was Mr H's level of discretionary spend (from both of his accounts) and transfers between his multiple accounts that meant he continued to use his overdraft to the extent he did.

Overdrafts are intended to be used for short-term borrowing, and it's clear Mr H wasn't using his account in this way. But in line with what's expected of BoS, they monitored his use of the overdraft and attempted to contact him about this. In fact, between November 2020 and September 2023, BoS wrote to Mr H on seven occasions about the way he was using his overdraft and offering support. And I've seen that Mr H spoke to BoS in late December 2021, in response to BoS' attempts to contact him. During this call Mr H explained he'd been off work due to his health. In response to this, BoS offered to place a hold on his account and refund interest and charges for that month. Mr H explained he was feeling positive he'd be able to return to work by mid-January 2022, so when I take everything into consideration, I'm persuaded the level of support offered by BoS was in line with what I'd expect. Removing an overdraft, especially in short-term circumstances such as those Mr H found himself in around December 2021, can cause a customer more difficulties.

The evidence provided by both parties has persuaded me that Mr H had sufficient disposable income to afford his overdraft and repay it in a sustainable way. And there isn't enough to persuade me there were sufficient signs of potential financial difficulties over prolonged periods of time – nor a reliance on the overdraft. Rather, it was Mr H's non-essential spending that stopped him from repaying his overdraft. It wasn't for BoS to tell Mr H how to spend his money. But they were expected to monitor his use and reach out if they noticed signs that he was a repeat user of the overdraft – and that's exactly what they did.

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 Mr H or otherwise treated him 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 Mr H's complaint should be upheld.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 6 August 2025.

Sarrah Turay
Ombudsman