

The complaint

Mr S complains that Bank of Scotland plc trading as Halifax irresponsibly gave him a loan he couldn't afford to repay.

What happened

In October 2023, Mr S applied for a £25,000 fixed sum loan agreement with Halifax. Mr S declared the purpose of the loan was for debt consolidation. The loan was approved and Halifax paid £6,077.28 directly to an existing Halifax credit card that Mr S held and paid off the full outstanding balance. The remaining £18,922.72 was paid into Mr S' Halifax current account. Mr S used around £16,500 of those funds to settle another loan in full with a different lender.

In November 2024, Mr S complained to Halifax to say the loan had been unaffordable from the outset and it should not have been provided to him. Halifax didn't agree it had acted unfairly when lending to him and said it had carried out appropriate affordability checks which showed no concerns.

Our investigator didn't recommend the complaint be upheld. He was of the view that the checks Halifax completed were reasonable and that these didn't reveal any affordability concerns.

Mr S didn't agree, so the complaint has been passed to me for 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.

Before lending to Mr S, the rules and regulations in place at the time required Halifax to complete checks to ensure the borrowing was likely to be affordable. There isn't a set list of checks that had to be completed. Instead, Halifax needed to ensure that what checks it did complete were proportionate in the specific circumstances of that lending decision. In deciding what would be proportionate, it needed to take into account things such as (but not limited to): the amount borrowed, the purpose of the borrowing, the cost, the term, the size of the monthly repayments and Mr S' circumstances.

I've seen that as part of the application Mr S declared he was employed full time earning £40,000 per year. He also declared general monthly expenditure (excluding credit commitments) of around £330 and that he was contributing £330 to housing costs. Halifax says it used credit reference agency data to verify Mr S' annual income. It also completed a credit check to get an understanding of his existing credit commitments. The credit check didn't show any adverse information and Mr S' other accounts were all paid on time and managed well. Halifax says that he was paying around £758 monthly in unsecured credit commitments.

I've seen Mr S also held a joint mortgage with his partner which was around £1,000 per

month. However, Halifax took into consideration that Mr S contributed £330 towards his housing costs as this is what he declared on his application. As it was a joint mortgage (so it was likely he wasn't responsible for the full payment) I don't think it was unreasonable to rely on what Mr S had declared. In any event, even if Halifax had taken into account a larger payment (or even the full mortgage payment), I don't think that ought to have made any material difference to the outcome here.

I say this because the checks Halifax completed appeared to indicate that Mr S had a stable income which was sufficient to meet the full mortgage payment, his essential living costs and credit commitments. There were no signs of financial difficulty or a reliance on repeat lending that might suggest further borrowing might be unsustainable. Further, the purpose of this loan is particularly relevant in this case. This is because it was all to be used to consolidate existing debts, meaning that Mr S' overall unsecured debts were not going to increase.

I'm satisfied that the checks Halifax completed were reasonable and proportionate in the specific circumstances of this complaint. I also think the lending decision was fair based on what it could see.

For completeness, even if I thought Halifax ought to have done more, I haven't seen anything in the information Mr S has provided which demonstrates the lending was unaffordable to him. He has provided some bank statements from around the time of the lending (he held other current accounts, statements for which haven't been shared) and these support what Halifax found in its checks, which is that he appeared to have sufficient disposable income each month to meet his essential expenditure and credit commitments without difficulty.

Lastly, Mr S declared the loan was for debt consolidation, and that is what he used the loan proceeds for. An existing Halifax credit card was paid off in full, he also settled an outstanding loan with another lender. The loan Mr S paid off had a monthly repayment of £589. Therefore, even without taking into consideration the monthly saving Mr S was making by not having to pay the Halifax credit card, the effect of the Halifax loan was that his monthly credit commitments reduced by around £200 per month.

This means even if the loan had been unaffordable to Mr S (which I'm not persuaded it was based on the available evidence) he had benefitted from the loan by reducing his overall monthly outgoings quite considerably. It follows that even if I found Halifax had acted unfairly (which I don't think they did), Mr S doesn't appear to have suffered any financial loss as a result of Halifax's lending decision, so there would be nothing for me to direct it to do to put things right.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 October 2025.

Tero Hiltunen
Ombudsman