

The complaint

Mr S complains that Bank of Scotland plc trading as Halifax (Halifax) was irresponsible in granting him a personal current account overdraft, as it was unaffordable for him. Mr S also complains that his relationship with Halifax was unfair as he was allowed to rely on high-cost debt, and this had an ongoing impact on his finances.

What happened

Mr S held a personal current account with Halifax for several years. An overdraft with a credit limit of £1,230 has been in place since at least October 2011.

The credit limit was increased and decreased, as follows:

Date	New credit limit
September 2016	£1,700
October 2016	£2,200
November 2016	£2,300
November 2016	£2,400
December 2016	£500
March 2017	£1,000
May 2017	£1,150
September 2017	£200
July 2019	£500
November 2021	£900
November 2021	£1,000
December 2021	£1,500
December 2021	£1,600

In 2024, Mr S complained that Halifax had been irresponsible in granting the overdraft facility and subsequent credit limit increases.

In its final response, Halifax said it thought part of Mr S's complaint fell outside the time limits set by the regulator. Of the part of the complaint that was brought in time, Halifax said it thought it had acted fairly and reasonably. Mr S wasn't happy with Halifax's final response, and referred the complaint to our service.

Following discussion with our service, Halifax consented to us considering any parts of the complaint that may have fallen outside the time limits set by the regulator. One of our Investigators considered Mr S's complaint. In summary, she thought that Halifax shouldn't have granted the credit limit increase to £2,200 in October 2016. To resolve things, she recommended Halifax should refund interest and charges on balances above £1,700.

Halifax accepted the Investigator's opinion. Mr S's representative disagreed. In summary, it said that it thought Mr S had become dependent on the overdraft facility and that Halifax should have stepped in.

I issued a provisional decision. I reached the same conclusion as our Investigator, though for different reasons. In summary, as both parties accepted the credit limit should have been increased to £2,200 in October 2016 I didn't comment further on that aspect of the complaint. I said I thought Halifax's decisions to grant the credit limit increases from 2017 onwards were reasonable. I also said I thought Halifax had acted reasonably by contacting Mr S about his overdraft usage from February 2022 onwards, and that I couldn't see any signs of financial stress which would have warranted further action. I therefore said that, to resolve things, Halifax should refund interest on charges above balances of £1,700.

Halifax said it had no further comments in response to my provisional decision.

Mr S's representative said, in summary, that Mr S was consistently overdrawn from January 2021 onwards, other than when he received two large payments of £4,500 and £4,000. Mr S explained that the payments were, respectively, money he was holding for a friend, and a loan towards a new car. Mr S's representative said that, therefore, Mr S didn't have the funds available to clear the overdraft balance at any point and thought the business should refund interest and charges for that period.

The case has now returned to me for final 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.

"Firstly, as Halifax has consented to our service considering the complaint in full, I don't need to consider whether it's been brought inside the time limits set by the regulator.

I've considered the relevant rules and guidance on responsible lending set by the FCA, laid out in the consumer credit handbook (CONC). In summary, these say that before Halifax granted the overdraft, and prior to each credit limit increase, it needed to complete reasonable and proportionate checks to satisfy itself that Mr S would be able to repay the debt in a sustainable way, without borrowing further elsewhere. As this was an open-ended account Halifax needed to consider whether Mr S would be able to repay the debt within a reasonable period. It also had a duty to review the account regularly to ensure the overdraft continued to be affordable for Mr S.

Credit limit increases in 2016

As both parties accept that Halifax shouldn't have granted the credit limit increase to £2,200 in October 2016, I haven't considered Halifax's decisions to grant the credit limit increases in 2016 in detail. Instead, I've focused on what happened from 2017 onwards.

Credit limit increases in 2017

In December 2016, Mr S reduced the credit limit of his personal current account overdraft to £500. Our Investigator didn't consider whether Halifax had acted responsibly in granting the credit limit increases thereafter, but I think it's necessary to do so to reach a fair outcome in this case.

Halifax has explained it no longer holds any information about the applications for each credit limit increase, such as affordability data or credit reference information. So, I can't reasonably conclude Halifax conducted proportionate checks prior to granting the increases to the credit limit of the personal current account overdraft.

Halifax has been able to provide Mr S's bank statements. I've considered these to reconstruct what Halifax's checks would likely have found. I found that, in the three months prior to each credit limit increase in March and May 2017, Mr S's average income was just over £1,500 a month. His payments towards his other credit commitments were an average of around £475 a month, and his essential expenditure (on food, utilities, insurance etc) was an average of around £250 a month. So, Mr S had an average monthly disposable income of around £775.

On balance, I think that if Halifax had conducted proportionate checks, it would have had reasonable grounds to think that the new credit limits of £1,000 in March 2017 and £1,150 in May 2017 were sustainably affordable for Mr S.

Credit limit increase in July 2019

In September 2017, Mr S again reduced the credit limit of his personal current account overdraft to £200. So, to reach a fair outcome on this complaint, I think I also need to consider whether Halifax acted responsibly in granting the credit limit increases in 2019 and 2021.

Halifax has told us that Mr S applied for the credit limit increase to his personal current account overdraft online in July 2019. Halifax has said it used information Mr S provided about his income and expenditure, along with information from credit reference agencies, to decide whether or not to grant the increase to the credit limit.

Halifax has provided the application data, which shows Mr S declared his monthly income to be £1,700, his monthly housing costs to be £150 and his other monthly commitments to be £150. This would mean he had around £1,400 in disposable monthly income.

As this was a personal current account overdraft facility, and this appears to have been Mr S's main account, I think Halifax should also have verified what Mr S had told them against his actual account usage. I've therefore considered the statement data Halifax has provided for the three months prior to the increase in Mr S's credit limit.

I found that Mr S's average monthly income was around £1,700 – as he'd declared. But I found his existing monthly credit commitments elsewhere were around £375, and his essential monthly outgoings (on food, utilities, travel etc) were around £300. So, Mr S's disposable monthly income was around £1,025.

On balance, I think had Halifax conducted proportionate checks it would reasonably have considered that the new credit limit of £500 was sustainably affordable for Mr S.

Credit limit increases in 2021

Halifax has told us that Mr S applied for the credit limit increase to his personal current account overdraft online. Halifax has said it used information Mr S provided about his income and expenditure, along with information from credit reference agencies, to decide whether or not to grant the increase to the credit limit.

Halifax has provided the application data for one of the applications in November and one in December 2021. These show that on each occasion, Mr S declared his monthly income to be £1,600, his monthly housing costs to be £200 and his other monthly commitments to be £200. This would mean he had around £1,200 in disposable monthly income.

As this was a personal current account overdraft facility, and this appears to have been Mr S's main account, I think Halifax should also have verified what Mr S had told them against his actual account usage. I've therefore considered the statement data Halifax has provided for the three months prior to the increases in Mr S's credit limit.

I found that Mr S's average monthly income was around £1,600 – as he'd declared. But I found his existing monthly credit commitments elsewhere were around £560, and his essential monthly outgoings (on food, utilities, travel etc) were around £500. So, Mr S's disposable monthly income was around £540.

On balance, I think had Halifax conducted proportionate checks it would reasonably have considered that the new credit limits of £900-£1,600 were sustainably affordable for Mr S and could be repaid by him within a reasonable amount of time.

Ongoing use of the overdraft facility

As I've explained above, Halifax also had a duty to regularly review the overdraft facility, to ensure it continued to lend responsibly to Mr S.

The statements show that Mr S was using the overdraft frequently, though not continuously. The statements also show a mix of essential and discretionary spending. I can't see any signs of financial stress, such as returned payments or use of short term lending.

Halifax sent Mr S letters about his overdraft use periodically from February 2022 onwards. In summary, these letters highlighted that Mr S was paying a significant amount in interest, and invited him to contact Halifax to discuss his options. It doesn't appear Mr S responded to any of Halifax's letters.

I think it was reasonable that Halifax attempted to contact Mr S about his overdraft usage. As I can't see there were signs of financial stress, I don't think Mr S's use of the account warranted that Halifax take any further steps in this instance."

I've read the full file again, and considered the comments from Mr S's representative. Having done so, my decision about how Halifax should put things right hasn't changed. I'll now explain why.

Having looked at Mr S's bank statements again, I can't agree with his representative that the

account was consistently overdrawn from January 2021 onwards. Mr S's salary was generally slightly more than the full credit limit of the overdraft facility, and the account was in credit for a period each month. There were some periods Mr S was using the overdraft heavily, but there were also times the account was in credit for several months. So, on balance, I think it's more likely than not Mr S could have reduced his usage of the overdraft facility over time.

Mr S also received other large lump sums into the account, such as one for around £13,200 in May 2022, which appears to be for selling his car.

As I said in my provisional decision, Halifax wrote to Mr S about his overdraft usage periodically from February 2022 onwards. I can't see there were any signs of financial stress – such as reliance on short-term lending, or returned direct debits for essential bills. So, I continue to think that the steps Halifax took were reasonable in the circumstances of this case, and I can't fairly say it should have done anything further.

Putting things right

My final decision is that I uphold this complaint. To resolve things, Bank of Scotland plc trading as Halifax should:

- Re-work Mr S's current overdraft balance so that all interest, fees and charges on debit balances above £1,700 are removed;
- If an outstanding balance remains on the overdraft once these adjustments are made, Bank of Scotland plc trading as Halifax should contact Mr S to arrange a suitable repayment plan. Bank of Scotland Plc trading as Halifax should also remove all adverse information recorded with credit reference agencies regarding overdrawn balances above £1,700 on the account;
- If the effect of removing all interest, fees and charges results in there no longer being an outstanding overdrawn balance, then any extra should be treated as overpayments and returned to Mr S, along with 8% simple interest a year on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding overdrawn balance remains after all adjustments have been made, then Bank of Scotland plc trading as Halifax should also remove any adverse information recorded with credit reference agencies.

I've also considered whether the actions of Bank of Scotland plc trading as Halifax have meant there's an unfair relationship between it and Mr S. However, I'm satisfied the redress I've directed above results in fair compensation for Mr S 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.

**HMRC requires Bank of Scotland plc trading as Halifax to take off tax from this interest. If Mr S asks for a certificate showing how much tax has been taken off this should be provided.*

My final decision

My final decision is that I uphold this complaint. To resolve things, Bank of Scotland plc trading as Halifax should take the steps outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 28 August 2025.

Frances Young
Ombudsman