DRN-5728909

The complaint

Mrs C complains that Bank of Scotland plc trading as Halifax irresponsibly lent to her.

What happened

Mrs C was approved for a Halifax credit card in March 2022, with a £1,500 credit limit. The credit limit was increased to £3,000 in March 2023. Mrs C says that this was irresponsibly lent to her. Mrs C made a complaint to Halifax, who did not uphold her complaint. Halifax said the repayments for the credit limits were affordable at the time. Mrs C brought her complaint to our service.

Our investigator did not uphold Mrs C's complaint. She said that while further checks should have been completed by Halifax, further checks would have shown the lending was affordable and sustainable for her. Mrs C asked for an ombudsman to review her complaint. She made a number of points. In summary, Mrs C said she was overdrawn on both of her bank accounts for the majority of the month, she detailed the amount of unsecured debt she had at the time of the lending decisions. She said she had missed payments to her mobile provider, which should have shown on her credit file.

Mrs C said that she made a lot of gambling transactions and even gambled with her credit card. Mrs C told us about her personal circumstances and the impact this had on her mental health. She said she never asked for the credit limit increase and based on her circumstances she was vulnerable around this time.

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, I'm aware that I've only summarised Mrs C's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I like to thank Mrs C for giving us detailed information about her financial and personal situation. I won't go into great detail here about what she's told us to help protect her identity, but I can assure Mrs C I have read everything she's sent us, and I can empathise with what she has been through.

Before agreeing to approve or increase the credit available to Mrs C, Halifax needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no 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. I've listed below what checks Halifax have done and whether I'm persuaded these checks were proportionate.

Acceptance for the Halifax credit card

I've looked at what checks Halifax said they did when initially approving Mrs C's application for the credit card. The checks show that Mrs C indicated she wanted to complete a balance transfer (although she didn't specify the amount she wanted to transfer). She declared she was employed, declaring a gross annual income of £22,000. Mrs C told Halifax her mortgage payment was for £0 a month, and she didn't declare any other outgoings.

Halifax used modelling and information from Credit Reference Agencies (CRA's) to estimate Mrs C's existing monthly credit commitments and her essential living costs. They determined that Mrs C had £288 a month disposable income. But the affordability assessment Halifax completed also showed no housing costs. Although Mrs C has told us about the unsecured debt she had elsewhere, the CRA reported the monthly commitments Mrs C made to these accounts, and this was over half of what they calculated for her net monthly income.

The checks showed that there were no County Court Judgements (CCJ's) or defaults showing on Mrs C's credit file. And she had not been in arrears on any accounts in the six months prior to the checks.

Based on the affordability assessment showing no housing costs despite Mrs C telling Halifax she was an owner with a mortgage, and due to the level of debt the CRA reported she was repaying each month, I'm persuaded that Halifax should have made further checks to ensure she could sustainably afford repayments for a £1,500 credit limit.

There's no set way of how Halifax should have made further proportionate checks. One of the things they could have done was to contact Mrs C to ask her if she did contribute to the mortgage repayment, and to ensure she could make repayments for the opening credit limit. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Halifax have provided bank statements for two accounts from a bank in their wider group. There are a number of gambling transactions throughout the three month period I viewed. But I can't say that this alone should result in Halifax declining an application, as gambling is a legitimate way for people to spend their money.

Instead I've looked at whether the statements show that repayments for a £1,500 credit limit would be affordable and sustainable for Mrs C.

There are times that Mrs C enters an arranged overdraft. But again, this wouldn't be a sole reason to say Mrs C couldn't afford any credit, as I've looked to see if it the credit limit would be affordable and sustainable for her.

There was one occasion where Mrs C has a returned direct debit, but this appears to be an oversight as she received her wages the next day and transferred money into her secondary account. I can confirm to her that the CRA did not report any arrears on her credit file (I presume because Mrs C made the repayment when they re-attempted to take the repayment).

It would appear that despite Mrs C's gambling transactions that she had the affordability to sustainably make repayments for a £1,500 credit limit. I say this because there also appear to be winnings that credited her account. While I acknowledge winnings aren't guaranteed, it could appear to a third party that Mrs C was only gambling more as this was being aided by credits from gambling companies. There did not appear to be any forms of lending from companies crediting Mrs C's accounts in the three months I looked at, so it didn't appear that she was borrowing to gamble.

And at the end of her statement period, all three statements showed she was in a three figure credit position. Mrs C's statements don't show any mortgage costs, as she had declared she had none. So if Halifax would have made further checks, I'm persuaded that they still would have approved a £1,500 credit limit as repayments for this credit limit would appear affordable and sustainable for Mrs C.

In addition to this, it appeared that Mrs C wanted to complete a balance transfer on a promotional interest rate (which her statements confirmed she did do), so it would be reasonable to expect this would save Mrs C interest and enable her to refinance her debt. It wouldn't be disproportionate for Halifax to expect Mrs C to close down accounts after she had transferred a balance over to them. So I'm persuaded that Halifax made a fair lending decision here.

March 2023 credit limit increase - £1,500 to £3,000

It is not unusual for a lender to operate on an *"opt out"* basis, which means a borrower would need to opt out to stop receiving credit limit increases. So although Mrs C may not have asked for this credit limit increase, I can't say that it follows that she shouldn't have been offered one. I reviewed Halifax's system notes prior to this lending decision to see if Halifax were aware of Mrs C's personal circumstances leading up to this lending decision. But there were no notes regarding any vulnerabilities Mrs C may have had, therefore I can't fairly say that Halifax should have been aware of these.

Halifax again used information from a CRA for Mrs C's existing monthly credit commitments, and they used modelling to estimate her essential living costs, which is an industry standard way of estimating expenditure. They even modelled housing costs for Mrs C even though she didn't originally declare any housing costs. The amount that the CRA told Halifax that Mrs C was repaying for her monthly credit commitments was a lot lower than at the account opening stage, as it was nearly £500 a month less.

The checks showed that there were no CCJ's or defaults showing on Mrs C's credit file. And she had not been in arrears on any accounts in the six months prior to the checks.

Halifax would have also been able to see how Mrs C used her Halifax credit card since it was opened. I did see one instance where Mrs C appeared to miss a payment, but it appears that this was an oversight, and I could not see that Mrs C was charged for this. A day after the interest was added, Mrs C made a larger repayment than what she was required to make, which I wouldn't expect her to be able to do if she was struggling financially here.

In addition to this, Mrs C sometimes made additional repayments separate to her direct debit repayment. And the balance had been cleared in July 2022. She stayed in credit on the credit card for a number of months after this.

Even when Mrs C started to re-use the credit, she sometimes paid a lot more than her minimum requested repayment as her January 2023 statement showed she repaid £336.81, which was a lot higher than her requested repayment, therefore I wouldn't expect her to be able to pay this if she was struggling financially leading up to this lending decision. And there were no gambling transactions that I could identify on the Halifax credit card statements from account opening to the credit limit increase.

So based on the lower monthly credit commitments, the high disposable income estimated for her, the CRA reporting no negative information on her credit file, and the additional repayments that Mrs C often made when she had an outstanding balance on her credit card, then I'm not persuaded that it would have been proportionate for Halifax to have completed further checks here.

So I’m persuaded that Halifax’s checks were proportionate, and they made a fair lending decision here.

I’ve also 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 can’t conclude that Halifax lent irresponsibly to Mrs C or otherwise treated her unfairly in relation to this matter. I haven’t seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs C to accept or reject my decision before 30 December 2025.

Gregory Sloanes
Ombudsman