

The complaint

Mr S complains Bank of Scotland plc trading as Halifax (BoS) lent to him irresponsibly when they approved his application for an overdraft, and subsequent limit increases. He also complains they failed to adequately monitor his use of the overdraft.

What happened

Mr S complains about the lending decisions below and BoS' failure to monitor his use of the overdraft.

Date	Limit
21 August 2018	£500
16 October 2019	£1,500
5 November 2019	£2,500

BoS looked into Mr S' concerns and sent their final response letter that didn't uphold his complaint. BoS explained they reviewed information provided by Mr S in his applications and that gathered from credit reference agencies (CRAs) before agreeing to lend. And as this information passed their checks, his overdraft and limit increases were approved. Mr S remained unhappy, so brought his complaint to our service.

Our Investigator felt Mr S' complaint should be upheld from August 2021. He said that by that point, Mr S had shown prolonged use of the overdraft and signs of financial difficulties.

BoS disagreed with our Investigator, so Mr S' complaint was passed to me for a decision.

I issued my provisional decision on 12 August 2025 explaining I wasn't minded to uphold Mr S' complaint. Both parties had until 26 August 2025 to respond.

As neither party responded, 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 Mr 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 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 S 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 S. 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 S.

Checks also needed to be proportionate to the specific circumstances of the lending. There isn't a specific list of what constitutes proportionate affordability checks – rather it 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. And 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. So, I've kept all this in mind when thinking about whether BoS did what they needed to before lending to Mr S.

BoS used a combination of information provided by Mr S in his applications, and that gathered from CRAs before agreeing to lend. For the £500 overdraft limit in August 2018, Mr S declared his monthly income was £3,200 and that he had no housing costs. However, for Mr S' income, BoS relied on a figure of £1,673. Their credit checks showed Mr S paid around £4 a month towards unsecured credit commitments and estimated his living costs to be £300. This left Mr S with a disposable income of £1,349, so a £500 overdraft would have been affordable for him.

In October 2019, Mr S declared his income was £3,000. But again, BoS relied on a lower figure, this time it was £2,576. Mr S' housing costs had increased to £500 and monthly unsecured credit commitments to £8. BoS added a housing cost buffer of £62 and estimated his living costs to be £421. This left a £1,585 disposable income that meant a £1,500 overdraft limit was affordable.

The final limit increase to £2,500 was in November 2019. Mr S' declared income was £2,800, but BoS relied again on the marginally lower figure of £2,576. His housing costs had reduced to £450, so the BoS' housing buffer reduced slightly to £56. Mr S' monthly payments to credit commitments and estimated living costs stayed the same, so he was left with a £1,641 disposable income. This healthy level of disposable income meant this overdraft limit was affordable, so I agree with BoS' conclusions on this.

BoS' credit checks didn't show any negative data being reported by CRAs such as bankruptcy, County Court Judgments or defaults. So, I don't think there was anything that would have warranted further checks being carried out. As I consider BoS' checks were reasonable and proportionate, I'm satisfied their lending decisions were fair.

While I agree BoS lent fairly, they also needed to ensure the lending remained affordable and sustainable. To do that, I would have expected them to have monitored Mr S' use of his overdraft, so I've gone through Mr S' statements to understand what those reviews might have shown. I've reviewed all the statements made available to me, but I've paid particular attention to the three months prior to the August renewals each year.

Our Investigator felt this complaint should be upheld from August 2021, but having reviewed Mr S' statements, I don't agree. That's because, while I've seen that by this point Mr S had been a prolonged user of his overdraft, I don't agree with our Investigator that was due to financial difficulties. Moreover, I can't ignore the fact BoS froze fees between late April and late August 2021. This happened after Mr S contacted them to let them know he was struggling due to a large and unexpected payment being taken from his account. And this unexpected payment contributed to there being multiple returned direct debits. So, I think BoS did the right thing by showing forbearance and allowing Mr S the time and space to get his finances in order. But I think it's unrealistic to expect Mr S' full overdrawn balance to have

been repaid in that timeframe – especially given the circumstances he was dealing with at that time. So, saying BoS should have removed the overdraft immediately after showing forbearance would most likely have caused Mr S more harm.

Mr S has confirmed he held another account but says he's unable to provide the statements. That is somewhat unusual given the timeframe complained about is within the last six years, but I've had to base my decision on the available evidence.

Having reviewed his BoS statements, I think it's more likely than not that Mr S' BoS account wasn't his main account – at least not after 2021. I say that because there was minimal essential spend from it, and he frequently transferred money to and from another account. Given the size of those transfers, I don't think I can safely conclude Mr S didn't have sufficient funds in his other account(s) to repay his overdraft within a reasonable period of time. In fact, the transfers into his account suggest it may have been possible, but for the way Mr S was managing his funds. So, I don't consider Mr S' extended time in his overdraft was due to financial difficulties.

While I've not seen enough to persuade me financial difficulties contributed to Mr S' prolonged use of his overdraft, I do still think intervention was required because overdrafts are intended for short-term use. BoS has explained they wrote to Mr S about this and offered support. They've also confirmed they put temporary support plans in place in March 2023 and July 2024. This indicates BoS have been making Mr S aware of the intended use of his overdraft and supported him to use it in this way. If Mr S is struggling to manage his overdraft, he should contact BoS' to discuss his available options.

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 don't think BoS lent irresponsibly to Mr S 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.

I know this isn't the outcome Mr S hoped for. But for the reasons above, I'm not asking BoS to do anything to put things right.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 September 2025.

Sarrah Turay
Ombudsman