

The complaint

Mrs H complains that Bank of Scotland plc trading as Halifax gave her an overdraft and subsequent limit increases which she couldn't afford to repay.

Mrs H also says Halifax acted unfairly when it continued to apply charges to her overdraft even when it was clear that she was in financial difficulty and failing to see a credit balance for an extended period.

What happened

The facts of this case are familiar to both sides, so I don't intend to repeat everything in detail here. Instead, I'll provide a summary.

In July 2020, Mrs H applied – and was accepted – for an overdraft facility of £300. The limit was subsequently increased four times over the next four months as follows:

Overdraft Limit Increase (OLI) Number	Date	Existing Limit	Limit Increase	New Limit
1	6 October 2020	£300	£700	£1,000
2	20 October 2020	£1,000	£300	£1,300
3	24 October 2020	£1,300	£100	£1,400
4	7 November 2020	£1,400	£100	£1,500

In November 2023, Mrs H – via a professional representative (PR) complained to Halifax about its decision to lend to her.

In January 2024, Halifax issued its final response to Mrs H's complaint. In short, Halifax did not uphold the complaint. In doing so, it said it was satisfied the lending was affordable based on the information it gathered from the checks it carried out. Halifax also said Mrs H had sufficient funds crediting the account to clear the arranged overdraft limit and all of her regular payments were being paid. Therefore, it was satisfied the overdraft was affordable and was provided responsibly.

Unhappy with this, PR on behalf of Mrs H, referred the matter to our service.

One of our investigators looked into the complaint and, in June 2025, issued their opinion in which they upheld the complaint in part. In short, the investigator said that Halifax should not have continued to provide the overdraft (on the same terms) from July 2022 because it was at this point Halifax ought to have realised Mrs H wasn't using the facility as intended.

PR didn't agree with the point at which the investigator concluded the complaint should be upheld. It said that Mrs H had been consistently overdrawn since October 2020 and it is from that point, it said, the complaint should be upheld.

The investigator looked at matters again and, in September 2025, issued their second opinion in which they did not uphold the complaint. In short, our investigator said that whilst

Halifax carried out reasonable and proportionate checks prior to agreeing to lend, the output from those checks wouldn't have given it cause to refuse to lend. Further, the investigator went on to say that, noting the way Mrs H was managing the account, Halifax did not act unfairly by continuing to provide the facility on the same terms.

PR didn't agree. As an agreement couldn't be reached, the complaint has been passed to me to decide.

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 done so, I've reached the same conclusion as our investigator – this being that the complaint should not be upheld. I'll explain why I think this is a fair outcome in the circumstances.

But, before I do, I would like to make it clear that I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs H's complaint.

Halifax needed to make sure it didn't lend irresponsibly. In practice, what this means is Halifax needed to carry out proportionate checks to be able to understand whether Mrs H could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

So before agreeing to approve or increase the credit available to Mrs H, Halifax needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There isn't a 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.

What's important to note is that Mrs H was provided with a revolving credit facility rather than a loan. And this means that Halifax was required to understand whether the respective limits could be repaid within a reasonable period of time, rather than all in one go. It's fair to say

that an overdraft of the maximum amount of £1,500 wouldn't have required especially large payments in order to clear the full amount that could be owed within a reasonable period of time.

The initial lending decision and OLI 1-4

Noting the temporal proximity between the initial lending decision and the subsequent limit increases, I will address these together to avoid repetition.

Prior to agreeing to the initial overdraft - and the subsequent limit increases - Halifax asked Mrs H to provide information about her employment status and income. For each application, Mrs H declared she was employed, and her monthly income was either £1,500 or £1,600.

Halifax says it verified the declared income by checking her current account turnover (known as CATO) which indicated that the figures Mrs H had declared were accurate

Halifax also asked Mrs H about her existing commitments. For each application, Mrs H declared her 'monthly commitments' were £250, in addition to 'monthly mortgage/rent' of a further £250. So, in total, Mrs H declared her monthly expenditure was £500.

Therefore, the information provided did suggest that what was being advanced was affordable.

However, I'm mindful that Mrs H made a number of applications within a relatively short period of time. And in these circumstances, I think that Halifax should have taken a closer look at her circumstances before agreeing to the increases.

That said, having looked through Mrs H's account statements, in the lead up to the overdraft limit increases being provided, I don't think that there was anything within this information which ought to have given Halifax cause to refuse to lend.

In particular, I note there wasn't anything in Mrs H's account transactions prior to the initial lending decision or increases which contradicted what Mrs H had declared during her applications.

In the months prior to the lending decision, Mrs H's income (which comprised of her salary and PIP) was around £1,500-£1,600 on average. And her committed non-discretionary expenditure (which includes payments to two other lenders) was around £500.

I note Mrs H's overdraft usage becomes fairly consistent from October 2020 onwards. However, it seemed Mrs H had sufficient funds entering the account to clear the overdraft within a reasonable period of time. What's more, there were not other obvious indicators Mrs H may have been having problems managing her money, such as over reliance on payday lending or regularly returned Direct Debits.

And while I'm not seeking to make retrospective value judgements regarding Mrs H's expenditure, it included a reasonable amount of non-contractual and discretionary transactions which could reduce Mrs H's overdraft. Halifax could (reasonably in my view) conclude Mrs H's income was sufficient to afford the borrowing in question and enable her to repay the whole borrowing in a reasonable period of time.

In short, whilst I agree that Mrs H's overdraft use was reasonably consistent, I think that reflects the way the account was being used rather than any financial difficulties she was experiencing at the time.

With that being the case, I don't think Halifax acted unfairly by providing Mrs H with the initial lending or the subsequent limit increases.

Did Halifax act unfairly or unreasonably in some other way?

The rules, guidance and good industry practice in place typically require a bank to review an account on an ongoing basis. And it is generally accepted that a bank should review a customer's overdraft usage on an annual basis. I have considered what Halifax would have identified based on ongoing monitoring and reviews carried out at the renewal dates. It is my understanding that these annual reviews took place in July each year – this being one year on from the initial lending decision. So, I've gone to look at the account conduct from 2021 until the point the complaint was raised in November 2023.

I've considered whether Halifax ought to have stepped in and taken corrective measures on the overdraft if it ought to have realised Mrs H was in financial difficulty. I can see Mrs H was using her overdraft regularly throughout this time. It could be argued that regular use of an overdraft is, in itself, an indication that a customer is struggling. However, this is not the same as saying that prolonged and repeated overdraft usage by a customer will always mean that they are, as a matter of fact, in financial difficulty. I think it's important to look at the overall circumstances of a customer's overdraft usage as part of considering their overall financial position.

Having done so, it looks like Mrs H's was in receipt of her salary and PIP in terms of regular income throughout this period. I've discounted sporadic receipts from other sources as I don't think these represent reliable streams of income. Having done so, I calculate Mrs H received an average monthly income of £1,650 in 2021, £2,206 in 2022 and £2,559 in 2023¹.

Therefore, Mrs H was in receipt of sufficient credits to clear the overdraft within a reasonable period of time. Indeed, I note the account was brought into credit, albeit briefly, at various points throughout this period.

It seems Mrs H's committed non-discretionary expenditure remained low throughout this period, particularly compared to her income. Whilst I accept Mrs H used her overdraft regularly, I note Mrs H's expenditure included a reasonable amount of non-contractual and discretionary transactions which could reduce her overdraft.

I note there were some payments out to what appear to be gambling sites, but I'm not persuaded the volume or extent of these transactions ought to have put Halifax on notice of a potential vulnerability.

I also note, as the investigator did, that at various times Mrs H had sufficient funds (including balances of over £1,000) in her Halifax savings account which could have been used to significantly reduce her overdraft should she have wished to do so. On average, it looks like Mrs H was transferring about £2,400 each year between 2021-2023² into this account.

Therefore, Halifax could (not unreasonably, in my view) conclude Mrs H had sufficient resources to clear the overdraft within a reasonable period of time.

¹ This is Mrs H's average income between January and October 2023 noting that the complaint was raised in November 2023. Therefore, receipts in November and December 2023 fall outside the scope of this complaint.

² The amount Mrs H transfers into her savings account drops in 2023 compared to the prior two years. However, in 2023, Mrs H still transfers about £1,500 which is the same value as her overdraft limit.

Looking at things in the round, I do not find Halifax acted unfairly by providing the initial lending or subsequent limit increases. And I don't think it acted unfairly by continuing to provide the overdraft on the same terms, and charge Mrs H for doing so, in the years that followed.

Finally, I note Halifax did agree to temporarily freeze interest on the account (at Mrs H's request) in March 2023. And, shortly after the end of this period, it contacted Mrs H to advise her of other support which may be available. It is my understanding no further contact was received. I also note Halifax wrote to Mrs H (via its electronic mailbox) several times between February 2021 and September 2023 regarding her overdraft usage. In this correspondence, Halifax reminded Mrs H of support that may be available. But, again, no further contact was received. In the circumstances of this case, I don't think Halifax acted unfairly here.

In reaching this conclusion, I've also considered whether Halifax acted unfairly or unreasonably in some other way given what Miss M has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Halifax lent irresponsibly to Miss M or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I appreciate this will be very disappointing for Mrs H but, for the reasons I've explained, I think this is a fair outcome in the circumstances.

My final decision

My final decision is that I do not uphold complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 16 December 2025.

Ross Phillips
Ombudsman