

Complaint

Mr B has complained about a credit card as well as a subsequent limit increase that Bank of Scotland plc (trading as “Halifax”) provided to him.

He says that credit card and limit increase were agreed to on the basis of incorrect information and therefore the checks carried out weren’t sufficient. This led to him being provided with a credit card and limit increase that were unaffordable for him in circumstances where they shouldn’t have been agreed.

Background

Halifax provided Mr B with a credit card with a limit of £6,500.00 in September 2011. The credit limit on Mr B’s credit card was increased to £7,500.00 in around January 2012.

One of our investigators reviewed what Mr B and Halifax had told us. He thought that Halifax hadn’t treated Mr B unfairly when initially providing Mr B with his credit card. However, he didn’t think that Halifax should have increased Mr B’s credit limit when it did. So he recommended that Mr B’s complaint should be partially upheld.

Halifax accepted the investigator’s assessment but Mr B disagreed with it and asked for an ombudsman to look at his complaint.

As the parties are in agreement that the limit increase shouldn’t have been provided and Halifax has agreed to compensate Mr B for this, this decision is solely looking at the decision to provide Mr B with his credit card.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

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 Mr B’s complaint.

Having carefully considered everything, I’m satisfied that what Halifax has already agreed to do to put things right is fair and reasonable in all the circumstances of Mr B’s complaint and I’m therefore not requiring it to do anything more or anything further. I’ll explain the reasons for my decision in a bit more detail.

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 Mr B 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.

Halifax says it agreed to provide Mr B with a credit card after it carried out a credit search and obtained some information on his income and expenditure. The information obtained suggested that Mr B had some existing debt but this was well managed and reasonable in comparison to his declared income. In Halifax's view, the information obtained indicated that Mr B would be able to make the monthly repayments due for this credit card.

On the other hand, Mr B says that this credit card shouldn't have been provided to him.

I've considered what the parties have said.

In the first instance, I think it would be helpful for me to start by saying that Mr B referred to the Financial Conduct Authority's ("FCA") Consumer Credit Sourcebook ("CONC") in his initial complaint to Halifax. However, the FCA only became the regulator for consumer credit in April 2014 and the decision to provide him with a credit card (as well as increase his limit) was made prior to CONC coming into being.

That's not to say that there weren't any standards in place when Halifax made its lending decisions – The Office of Fair Trading was the regulator at this time and had its Irresponsible Lending Guidance at this time – but this guidance wasn't the same as the rules and guidance that are in place today. In these circumstances, I have to review Halifax's conduct through the obligations and expectation in place at the time.

Mr B was provided with a revolving credit facility. And this means that Halifax was required to understand whether a credit limit of £6,500.00 could be repaid within a reasonable period of time. I think it's fair to say that a credit limit of £6,500.00 required fairly chunky monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

Mr B's signed application form states that he had an annual income of £48,000.00. Mr B says that this was an error and that he was earning around £4,800.00 through part time employment. I don't know what led to Mr B's application form having an income of £48,000.00 listed on it.

However, what I do know is that this application form has Mr B's signature on this. As such, given it isn't a lengthy application form, I would have expected him to review it before he signed it and highlight such a discrepancy. This is particularly when he was given a credit limit which significantly exceeded what he says his annual income was.

I note that Mr B has said that Halifax (as a result of information it and other entities within the banking group it belonged to had) ought to have known that he was a student. However, I'm afraid that there isn't an expectation for a lender to go through records for multiple separate legal entities within a group as part of any decision to lend.

For the sake of completeness, I would also in any event add that the transaction records provided show that Mr B's main account had become a graduate account in August 2011. So Mr B's account status at least didn't reflect him being a full-time student. Given this is the case, I'm satisfied that there wasn't anything obvious to contradict the income on the application form, which had been signed by Mr B. And I'm satisfied that Halifax was entitled to rely on Mr B's income being £48,000.00 even if this may not have been accurate.

Halifax's credit check did indicate that Mr B did have some existing debts. But it's fair to say that these were being relatively well managed. For example, there was no significant adverse information such as defaulted accounts, county court judgments or insolvencies recorded against Mr B. Indeed, the information Halifax relied on suggests that Mr B total unsecured debts wasn't unreasonable compared to his declaration of income at the time.

Furthermore, a customer using existing credit that they have been provided, including an arranged overdraft which Mr B has relied on in support of his argument that he shouldn't have been lent to, does not mean that any additional applications for credit should be automatically declined. Bearing in mind the information that Halifax had and what was expected of it at the time, I don't think that it was unreasonable for it to accept Mr B's application for a credit card.

It's clear that Mr B feels strongly about his complaint and I do sympathise with the difficulties that he had in making his payments as well as the resulting issues that this caused. I also accept that given the rules, guidance and standards in place today it's possible that Halifax might not take the same lending decision today.

However, as I've explained, all I'm able to do is consider whether Halifax lent contrary to the rules, regulations and expectations in place at the relevant time. Finding that a firm was required to do something that it wasn't, or retrospectively applying rules that didn't apply at the time, would not only result in a decision that is not fair and reasonable all the circumstances, it would result in a decision that was unlawful.

So I can't view whether Halifax treated Mr B fairly and reasonably through the prism of today's standards. Indeed, some of what Mr B has said that Halifax should have considered – such as statements from different entities within its parent group – aren't even requirements today.

Overall and having considered everything, I don't think that Halifax treated Mr B unfairly or unreasonably when providing him with his credit card. Furthermore, Halifax has already agreed to compensate Mr B in the way that I would direct it to do so were I to uphold the complaint about the limit increase.

As this is the case, I'm satisfied that what Halifax has agreed to put things right is fair and reasonable in all the circumstances of Mr B's complaint is fair and reasonable and I'm not requiring it to do anything more or anything further.

I appreciate this will be very disappointing for Mr B. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm satisfied that what Bank of Scotland plc has already agreed to do to put things right is fair and reasonable in all the circumstances of Mr B's complaint and I'm therefore not requiring it to do anything more or anything further. I leave it up to Mr B to decide whether he wishes to accept its offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 December 2025.

Jeshen Narayanan

Ombudsman