

## **The complaint**

Miss B complains that Bank of Scotland plc trading as Halifax irresponsibly lent to her.

## **What happened**

Miss B was approved for a Halifax credit card in July 2021, with a credit limit of £6,500. The credit limit was increased to £8,000 in January 2024. Miss B says this was irresponsibly lent to her. Miss B made a complaint to Halifax, who did not uphold her complaint. Halifax said that the credit limits were affordable and proportionate to her financial situation at the time. Miss B brought her complaint to our service.

Our investigator did not uphold Miss B's complaint. He said that Halifax's checks were proportionate, and that they made fair lending decisions. Miss B asked for an ombudsman to review her complaint. She made a number of points. In summary, Miss B said that Halifax didn't have her bank statements at the time of lending, and they failed to consider a £6,800 outstanding balance at the time of the credit limit increase, with a company in their wider group.

Miss B said that Halifax relied on assumptions – such as Current Account Turnover (CATO), modelling, and basic credit file data, rather than real affordability checks. Miss B said that her combined debt was not assessed properly, the financial harm she experienced after lending from Halifax demonstrated the lending was not sustainable, as she had to borrow money to clear the debt and avoid a default.

## **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 Miss B'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.

Before agreeing to approve or increase the credit available to Miss B, 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 Miss B's application for the credit card. The checks show that Miss B applied for a balance transfer credit card

(although she didn't specify the amount she wanted to transfer). She declared she was employed, declaring a gross annual income of £22,600.

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

Miss B told Halifax her housing costs were for £500 a month, and she didn't declare any other outgoings. Halifax used modelling and information from Credit Reference Agencies (CRA's) regarding Miss B's existing monthly credit commitments and her essential living costs. They determined that Miss B had a sufficient monthly disposable income in order to make repayments for a £6,500 credit limit.

I've considered what Miss B has said about Halifax using CATO to verify her income instead of viewing her statements. But Halifax did make an extra check with Miss B's income, and they are not required to request bank statements as part of each lending decision, as this would not be proportionate. I do note that Miss B hasn't told us she was earning a different income figure here, and if she was earning a lower amount, then declaring a higher amount could be considered fraudulent, however, I just take this to be a point that Miss B has made about Halifax not asking for her bank statements as opposed to her earning a different income here.

I'm satisfied that Halifax made proportionate checks by using modelling to estimate Miss B's other outgoings apart from her credit commitments (which were given to Halifax by the CRA) and housing costs (which Miss B declared). I say this as Halifax didn't just take Miss B's word for her outgoings. If they did, then they only would have recorded Miss B had £500 a month in total expenditure, as this is what she declared.

Halifax took the extra check of completing their own affordability assessment, and as this showed total higher outgoings than Miss B declared, then it was proportionate for Halifax to use the higher figures. So again, I'm not persuaded it would have been proportionate for Halifax to have requested Miss B's bank statements as part of this check, as they had already given her the opportunity to declare her outgoings. And when Halifax's affordability assessment showed higher figures, then they were reasonable to use the higher outgoings, which would still show that repayments should be affordable and sustainable for Miss B.

So in the absence of any adverse information on Miss B's credit file, and the disposable income showing after the affordability assessment, then I'm not persuaded it would have been proportionate for Halifax to have contacted Miss B directly to ask her details about her income and outgoings, or to request evidence of this from something like a bank statement, as this wouldn't be proportionate in the circumstances here.

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

#### *January 2024 credit limit increase - £6,500 to £8,000*

The checks showed that there were no CCJ's or defaults showing on Miss B's credit file. And she had not been in arrears on any accounts in the six months prior to the checks. Although Miss B has doubts that Halifax did not take into account her existing debt, the CRA did report that Miss B had total external active unsecured debt of £13,149.

Halifax would have also been able to see how Miss B used her Halifax credit card since it was opened. In April 2023, she completed a balance transfer, so she may have benefitted from lower interest with Halifax than what she was already repaying.

I could not locate any late or overlimit fees Miss B incurred on the account in the six months leading up to the credit limit increase. But her December 2023 statement shows Miss B had exceeded her credit limit by £18.39. It appears to be an oversight as the interest debited from the balance caused Miss B to exceed her credit limit, and she made repayments totalling £230 prior to the credit limit increasing, to take her back within her credit limit.

In addition to this, Miss B regularly made repayments which far exceeded what her minimum requested repayment would be., which I wouldn't expect her to be able to do if she was struggling financially leading up to this credit limit increase.

Halifax again used information from a CRA for Miss B's existing monthly credit commitments, and they used modelling to estimate her other outgoings. Based on the affordability assessment, it would appear that Miss B would have a sufficient disposable income in order to make sustainable and affordable repayments for the £8,000 credit limit.

But I do think that Halifax should have made further checks here. I say this because the amount Miss B was paying for her credit commitments was significantly higher than what she was paying at the account opening stage, which could indicate Miss B had been taking on more debt. In addition to this, whilst Halifax are fine to use modelling for Miss B's outgoings, I would expect any discrepancies with data they did have to be queried.

I say this as Miss B declared housing costs of £500 a month originally. But the figure used for housing costs on the affordability assessment here as part of this lending decision was £252 a month – almost half of what Miss B declared originally. So I find it highly unlikely that Miss B's housing costs would half over a 2.5 year period. If anything, I would expect them to rise, or at least be similar to what she declared. So based on these factors, I'm persuaded that Halifax should have made further checks to ensure the credit limit increase was affordable and sustainable for Miss B.

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 Miss B to ask her what her housing costs were, and why had she been taking on more debt over the years since she opened the Halifax credit card. 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.

Miss B has provided a number of different account statements leading up to this lending decision, which I've reviewed. I'd like to thank Miss B for taking the time to provide as much information as possible.

Miss B's statements show salary credits between £1,837.21 - £2,224.54. I'm persuaded that it would be fair to take the lower salary credit here. While I can't rule out a pay rise for the higher salary credit, this is not in line with the other two salary credits, therefore it's likely to include overtime/bonus etc, and may not be a true reflection of income moving forward.

But I do note that even Miss B's lowest income she received over these three months is over £135 a month more than what Halifax believed her monthly income to be. So if Halifax would have viewed Miss B's statements as part of a proportionate check, then they would believe Miss B had even more disposable income than they had budgeted for her.

Miss B's statements show that she constantly uses an overdraft. But using an overdraft in its own right does not automatically mean that Miss B could not afford repayments on an extra £1,500 credit limit here (£6,500 to £8,000). I say this as Miss B may choose to use her money to spend on non-priority bills, as opposed to reducing her debt.

And at the time prior to these lending checks, it appears that Miss B does not get charged

interest on the overdraft she has, therefore, it may seem that there's little point to reduce the overdraft usage if she is not being charged for it.

I've largely discounted Miss B's savings statements she's sent us. These accounts are barely used, and when she does deposit into the account, she often transfers back out of the account, so these transfers largely negate each other.

Miss B's statements appear to show that she stays within her arranged overdraft limit. I could not locate any returned direct debits on the statements she provided. The debt repayments are shown, and it appears Miss B pays more than what she is required to pay on her external credit card. After Miss B's fixed repayments are made, including her debt repayments, she appears to have a sufficient disposable income to meet repayments for an additional £1,500 credit limit.

I say this as not only has Miss B got enough disposable income to make overpayments, but she has a lot of disposable income to make non-priority spending. So after Miss B's priority spending and her debt repayments had been made, she still appears to have disposable income for non-essential spending. So if Halifax would have requested Miss B's statements as part of a proportionate check, then I'm persuaded that they still would have increased Miss B's credit limit by an extra £1,500 to £8,000, and they made a fair lending decision here.

I can't fairly say it would have been foreseeable that Miss B would need to borrow money from her parents at a later date to make the repayments to avoid a default based on how she was managing the account, and her own accounts prior to the credit limit increase.

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 Miss B 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 Miss B to accept or reject my decision before 3 March 2026.

Gregory Sloanes  
**Ombudsman**