

The complaint

Miss E complains that Bank of Scotland plc trading as Halifax (Halifax) acted irresponsibly in granting her a personal current account overdraft, and in increasing its limit, as it was unaffordable for her. Miss E also complains that Halifax failed to support her when she experienced financial difficulties and breached persistent debt guidance set by the regulator.

What happened

Miss E has had a personal current account with Halifax for several years. In January 2021, Halifax granted Miss E an overdraft facility. The initial credit limit was £50.

The credit limit was changed multiple times over the next few months, up to a high of £500 in May 2021. The credit limit was reduced to £400 in July 2021, and to £380 in April 2022 – where it has remained.

In 2025, Miss E complained that the personal current account overdraft had been unaffordable for her. She also complained that Halifax had failed to support her when she experienced financial difficulties, had breached persistent debt guidance set by the regulator, and that it failed to intervene despite her ongoing use of the overdraft and issues with problem gambling.

In its final response letter, Halifax said it thought it had acted responsibly. It therefore didn't uphold Miss E's complaint.

Miss E was unhappy with Halifax's response and referred her complaint to our service.

One of our Investigators considered Miss E's complaint. In summary, our Investigator thought that Halifax had acted reasonably in granting the overdraft and in increasing its limit, but that it should have stepped in by 31 January 2024 as there were significant gambling transactions on the account that the Investigator considered were unsustainable.

Both Miss E and Halifax disagreed with the Investigator's opinion. As our Investigator couldn't resolve things, the case comes 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.

I've considered the relevant rules and guidance on responsible lending set by the regulators, laid out in the consumer credit handbook (CONC). In summary, these say that before Halifax granted the overdraft facility – and each time it increased the credit limit – it needed to complete reasonable and proportionate checks to satisfy itself that Miss E would be able to repay the debt in a sustainable way, without borrowing further elsewhere. As this was an open-ended account, Halifax also needed to consider whether Miss E would be able to repay the debt within a reasonable period. And, Halifax had a duty to regularly review the overdraft to ensure it remained affordable for Miss E.

Granting of the overdraft facility and credit limit increases

Halifax has explained it considered information from external credit reference agencies before granting the overdraft facility to Miss E in January 2021, and before increasing the credit limit in January, February, March and lastly to £500 in May 2021.

Halifax has told us that, on each occasion, Miss E declared that her monthly income was around £1,500. It estimated her payments to her existing credit commitments to be less than £10, and her essential monthly outgoings to be around £410. It therefore calculated she had sufficient disposable income to sustainably repay the overdraft facility.

As I've explained above, Halifax needed to conduct proportionate checks to satisfy itself Miss E would be able to repay the debt in a sustainable way, within a sustainable period. In this instance, Halifax granted various credit limits – from £50 up to £500.

As it appears Miss E's account with Halifax was her main current account, I think it should have considered the actual data about her income and expenditure it held. But, having looked at the transaction history for Miss E's account, I think Halifax still would have found she had sufficient disposable income to sustainably repay the account if it were used to its limit.

On balance, although I don't think Halifax conducted proportionate checks, I think that it still would have granted the overdraft facility and credit limit increases if it had done so. I say that because I think that, if Halifax had conducted proportionate checks, it would have found that the credit limits were sustainably affordable for Miss E.

Ongoing use of the overdraft facility

As I've explained above, Halifax also had a duty to regularly review the overdraft facility, to ensure it continued to lend responsibly to Miss E. Halifax hasn't told us when it conducted reviews of Miss E's overdraft facility. Our Investigator thought it would have been reasonable for Halifax to review the overdraft annually, and considered what should have happened if the reviews had occurred each January as some of the statements provided referred to this as the account's renewal date.

In August 2021, Miss E contacted Halifax and said that she had recently lost her job which meant she was experiencing financial difficulties. Halifax placed a hold on the account for 30 days and refunded £30 of fees and charges. I think these were reasonable steps for Halifax to take to support Miss E in the circumstances. I wouldn't expect Halifax to proactively contact Miss E to see if she needed further support – it would have been for her to contact Halifax.

I've reviewed the statements for Miss E's account. Miss E has said she used her overdraft for over 1,000 consecutive days. I can't see that was the case. There were some periods she used her overdraft fairly heavily – particularly after she lost her job in August 2021. But

from March 2022 onwards, I can see there were also periods the account saw a credit balance.

There were also points – including during the period in late 2021 to early 2022 when Miss E was using her overdraft frequently – that she had sufficient funds in her Halifax savings account to repay the overdraft balance in full.

Some of Miss E's spending was on essential bills. However, not all of it was. So, arguably Miss E could have chosen to try to gradually reduce her overdraft debt by reducing her discretionary spending.

That said, overdrafts are generally intended for short-term, emergency borrowing. Halifax had a duty to review Miss E's personal current account overdraft periodically to ensure it was still appropriate for her.

At the end of 2023, Miss E was gambling significant amounts – around 60-70% of her income each month. I think Halifax should have taken this into account when conducting its review in January 2024. If it had done so, it would have been apparent that although the overdraft facility was affordable on the face of it (based on Miss E's income), it was no longer sustainable given the way she was using the account.

Overall, on balance, I think Halifax should have removed the overdraft facility in January 2024.

Putting things right

To resolve the complaint, Bank of Scotland Plc trading as Halifax should:

- Rework Miss E's current overdraft balance so that all interest, fees and charges applied to it from January 2024 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Halifax should contact Miss E to arrange a suitable repayment plan.

Miss E is encouraged to get in contact with and co-operate with Halifax to reach a suitable agreement for this. If it considers it appropriate to record negative information from Miss E's credit file, it should reflect what would have been recorded if Halifax had begun to reduce Miss E's overdraft limit from January 2024. Halifax can also reduce Miss E's overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave her over her limit.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Miss E along with 8% simple interest on overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding balance remains after all adjustments have been made, then Halifax should remove any adverse information from Miss E's credit file. Halifax can also reduce Miss E's overdraft limit by the amount of the refund if it considers it appropriate to do so.

I've also considered whether Halifax's actions have meant there's an unfair relationship between it and Miss E. However, I'm satisfied the redress I have directed above results in fair compensation for Miss E in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My final decision is that I uphold this complaint. To put things right, Bank of Scotland Plc trading as Halifax should take the steps outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 10 March 2026.

Frances Young
Ombudsman