

## The complaint

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

## What happened

In September 2017, Miss N applied for and was given a credit card with Halifax. The credit limit was agreed as follows:

Date	Event	Credit limit
6 September 2017	Account opening	£1,000
28 September 2018	Credit limit increase	£1,500

On 8 July 2024, Miss N complained to Halifax. She said when she applied for the card, she already had debts of around £8,000 with other banks and they were already in default. As a result, adding this card into the “*overwhelming burden only worsened [her] financial situation.*” She said if Halifax had carried out proper checks, it ought to have identified her difficulties and should have refused to lend to her. To resolve her complaint, Miss N asked Halifax to refund all payments made towards the card including charges and interest, plus 8% interest as compensation, and asked Halifax to remove any negative marks from her credit file.

Halifax looked into Miss N’s complaint and issued a final response letter. It said she had passed its usual checks for the provision of the credit card and the initial limit, so it agreed to lend. It went on to say that before offering the increase, it considered her payment history, account conduct and reviewed her credit file. It felt an increase would be affordable for her and offered it, but gave Miss N the chance to refuse it as she felt it wasn’t suitable for her. Halifax didn’t uphold the complaint.

Miss N was unhappy with Halifax’s response so she referred her complaint to our service. One of our investigators looked into it. She said based on the available information, she couldn’t reasonably say it was unfair of Halifax to open the account with a £1,000 limit. But she felt the bank shouldn’t have offered the credit limit increase to £1,500. Our investigator upheld the complaint on that basis, and said Halifax should refund charges and interest levied on balances over the initial limit of £1,000.

Miss N disagreed with our investigator’s opinion of the account opening and initial limit, but she accepted the opinion regarding the credit limit increase. In summary, she re-emphasised her belief that a reasonable creditworthiness assessment wasn’t carried out when the card and opening limit was agreed.

As there was no agreement, the complaint has been passed to me for a decision.

## 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Halifax needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Miss N irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Halifax carry out reasonable and proportionate checks to satisfy itself that Miss N was in a position to sustainably meet the repayments?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Halifax make a fair lending decision?
- Did Halifax act unfairly or unreasonably towards Miss N in some other way?

Halifax had to carry out reasonable and proportionate checks to satisfy itself that Miss N would be able to repay the credit sustainably. It's not about it assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on her. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the repayments and the overall circumstances of the borrower.

Following my involvement, Halifax has now accepted our investigator's view that the increase should not have been agreed. As Miss N has accepted that too, there's no need for me to comment further on it, so I'll focus instead on the account opening and initial limit.

This lending decision took place on 2017, and Halifax has said it no longer has all the information it considered when it agreed to lend. I acknowledge the Miss N says the failure to provide the detail calls into question whether the checks were carried out, but I don't agree.

Businesses are not obliged to retain information indefinitely either by law or good industry practice. Generally they will only retain records for six years or so. As almost seven years had passed by the time Miss N complained, I am not surprised that some of the information is no longer available.

Halifax has provided what it can, such as application data in which Miss N declared an income of £21,000 per year and housing costs and other commitments totalling around £750 per month. It paired this information with data from her credit file and its own credit scoring process and was satisfied a £1,000 limit would be affordable for her. But unfortunately Halifax hasn't been able to provide details of what it saw on Miss N's credit file or its verification of her income. That being so, I can't reasonably conclude that the checks were proportionate as I can't say for sure what they showed.

Miss N provided copies of her bank statements from the time and a recent credit report which our investigator used to try to recreate what Halifax may have seen at the time. Our investigator provided quite a detailed assessment of this information in her letter regarding the complaint. I've conducted a similar exercise but won't go into so much detail here as it is already known to the parties involved.

Like our investigator, I've concluded that based on her income alone, Miss N appeared to have sufficient disposable income – around £360 - to be able to afford a credit limit of £1,000 on a sustainable basis. Miss N did receive some money from a family member in addition to her earned income, but this wasn't taken into account by either our investigator or me in reaching this conclusion.

As the credit report is more recent and only displays information for the previous six years, it is of limited use in assessing her circumstances when this account was opened. It does provide some detail of accounts that were open at the time, but clearly others will no longer be reporting. Based on what I can see however, I can't see anything which ought to have been of concern to Halifax.

I think that if Halifax had gone so far as to look at Miss N's statements it would still have been content to lend to her. It follows that I think it reached a fair decision to open the account with a £1,000 limit.

*Did Halifax act unfairly or unreasonably towards Miss N in some other way?*

I've carefully considered all the information provided by each party to this complaint including contact notes. I can see that Miss N applied for a credit limit increase in 2019 which was refused, and in 2022, she fell into difficulty with the account and she started to miss payments.

Halifax tried to contact her about that but without success. Unfortunately it didn't receive any contact from her and the account was defaulted in October 2022, which I don't think is unreasonable in the circumstances.

For the reasons I've already given, I don't think Halifax lent irresponsibly to Miss N when it opened the account, or otherwise treated her unfairly in relation to this matter. But I do think it shouldn't have agreed the increase in limit. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **Putting things right**

As I don't think Halifax should have increased Miss N's credit limit above £1,000, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. But Miss N has had the benefit of the money she spent so I think she should pay this back. Therefore, Halifax should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £1,000 after September 2018.
- If the rework results in a credit balance, this should be refunded to Miss N along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Halifax should also remove all adverse information recorded after September 2018 regarding this account from Miss N's credit file.
- Or, if after the rework the outstanding balance still exceeds £1,000, Halifax should arrange an affordable repayment plan with Miss N for the remaining amount. Once Miss N has cleared the outstanding balance, any adverse information recorded after September 2018 in relation to the account should be removed from her credit file.

\*If Halifax considers that it's required by HM Revenue & Customs (HMRC) to deduct income tax from that interest, it should tell Miss N how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HMRC if appropriate.

### **My final decision**

My final decision is that I uphold this complaint. Bank of Scotland plc trading as Halifax

should put matters right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 20 February 2026.

Richard Hale  
**Ombudsman**