

The complaint

Miss D complains that Bank of Scotland plc trading as Halifax applied charges to her overdraft since 2020 despite her showing clear signs of financial hardship.

What happened

Miss D had an overdraft with Halifax since September 2020, at which point the limit was £100. Miss D's limit was increased and decreased multiple times over the years, with it ranging between £50 and £1,000. The overdraft facility was removed in early 2025.

Miss D complained to Halifax that they gave her, and increased, an overdraft facility despite her not being employed and showing signs of "hardcore borrowing". She explained that Halifax should have noticed she was in financial difficulty due to her lack of income, her persistent usage of the overdraft facility and the fact that her debts with other lenders had increased. She feels Halifax ought to have shown forbearance and stopped adding interest and charges.

Halifax responded to Miss D's complaint in May 2025 explaining that they were satisfied that the arranged overdrafts were provided fairly and appropriately and were affordable for Miss D. They accepted Miss D was often in her arranged overdraft but found this was because of her account management and non-essential spending – rather than financial difficulties.

Miss D wasn't happy with Halifax's response, so she referred her complaint to the Financial Ombudsman. An investigator here assessed her complaint and upheld it, saying that Halifax should have stepped in and helped Miss D in October 2022.

Halifax didn't agree with the opinion of the investigator. They reiterated the support they'd provided to Miss D between June 2021 and March 2023, which included stopping interest and reducing her overdraft limit.

Because an agreement couldn't be reached, the complaint has been passed to me to decide. I issued a provisional decision, explaining that I wasn't intending to uphold the complaint. I explained why, as follows:

The rules and regulations in place at the time Halifax provided Miss D with the overdraft required them to carry out a reasonable and proportionate assessment of whether she'd be able to repay it in a sustainable way. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower-focused'. This means Halifax had to think about whether repaying the credit would cause difficulties or adverse consequences for Miss D. In other words, it wasn't enough for Halifax to consider the likelihood of them getting the funds back or whether Miss D's circumstances met their lending criteria – they had to consider if Miss D would be able to repay the lending being provided to her.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In

general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer and the amount, purpose, cost of credit they were seeking. I've kept all of this in mind when thinking about whether Halifax did what was needed before lending to Miss D.

Finally, as well as ensuring that Miss D could afford to repay the overdraft when the limits were initially provided, Halifax had an obligation to periodically review the overdraft usage. This would be to ensure it remained affordable and that Miss D could repay the debt within a reasonable period.

Lending decisions in September and October 2020

The first two lending decisions were only for £100 and £200. Halifax confirmed that these amounts are below the threshold where they request details of income. They did, however, estimate Miss D's essential living costs using statistical data and checked her credit file.

Although these amounts were low, I think Halifax ought to have checked if Miss D was earning an income. Having said that, I can see that Miss D never used these limits, so I've not investigated these further as she didn't incur any financial loss.

Lending decisions between November 2020 and May 2021 - Did Halifax carry out reasonable and proportionate checks?

During this period, Miss D's overdraft limit fluctuated between £300 and £1,000.

Halifax have confirmed that each time Miss D requested an increase they:

- Asked Miss D what her income and housing costs were*
- Compared the declared income with Miss D's statements*
- Estimated Miss D's essential living costs using statistical data*
- Used this information to calculate her monthly disposable income*
- Checked her credit file*

I think these checks were reasonable and proportionate in the circumstances. For each increase, Miss D declared an income ranging between £1,000 and £2,000. The affordability assessment also suggested that she had very little external debt.

The regulations specifically allow a business to use statistical data to estimate an applicant's expenditure. And I haven't seen anything in the information Halifax obtained which ought to have prompted them to do further checks.

Did Halifax make fair lending decisions?

Just because I think the checks were proportionate based on Miss D's circumstances, it doesn't end there. I need to consider whether Halifax made a fair decision to lend.

Halifax carried out credit checks on each occasion which showed no adverse information. Miss D had no external debt in September 2020, and it remained very low throughout the years. Miss D appeared to be managing her existing accounts well with no missed payments, underpayments or arrears in the months leading up to the applications.

The affordability assessments confirm Miss D had a very low amount of external debt as the monthly debt commitment figure taken from the credit reference agencies ranged between £4 and £11. Halifax used average data to estimate her essential living costs to be around

£376 to £387 per month. Miss D didn't declare any housing costs or other major commitments such as utility bills. I appreciate Miss D has told us she wasn't always employed however she was receiving benefit income during those times. So, I'm persuaded that Miss D had enough disposable income to afford sustainable repayments towards the new limits.

I appreciate Miss D's point about her repeat usage of the overdraft however I'm not persuaded that this ought to have led Halifax to decline her requests to increase the limit. Having reviewed the statements, I can't see anything to suggest Miss D was struggling financially until she told Halifax in June 2021. I say this because most of the spending on the account was non-essential and Miss D was able to come out of her overdraft most months. So, I don't think Miss D's overdraft usage should have suggested to Halifax that the limit increases were unaffordable.

Account monitoring between June 2021 and June 2023

When Miss D informed Halifax she was struggling they stopped all interest, fees and charges between June 2021 and February 2022 and Miss D was able to reduce her limit to £800 in June 2021. So, I'm satisfied that they showed forbearance when Miss D asked them for help. I can see that Miss D applied to increase her overdraft during this period but these requests were declined, which I'm satisfied was fair and reasonable considering she was struggling with her existing overdraft limit.

Halifax started charging interest again from February 2022 onwards but confirmed that their collections department continued to monitor Miss D's account. This monitoring carried on until March 2023. During this period, Miss D was almost continually overdrawn. This was mainly due to her receiving low and inconsistent benefits payments. So, I can understand why she feels Halifax should have stepped in to help during this time.

However, Miss D's spending continued to include a significant amount of non-essential expenditure. She was also regularly transferring funds to her savings account, increasing her savings to a maximum of around £700 in January 2023. Finally, Miss D was able to reduce her overdraft limit to £400 in September 2022 and to £200 in March 2023. So, with this in mind, it's difficult for me to reasonably conclude that Halifax ought to have realised that Miss D was struggling financially. She didn't appear to be struggling with any essential bills and she was able to significantly reduce her overdraft during this time. Finally, Halifax contacted Miss D several times about her overdraft usage but she didn't get in touch with them, as she'd done previously, to make them aware she needed support.

Lending decisions between June 2023 and December 2023 - Did Halifax carry out reasonable and proportionate checks?

During this period, Miss D's overdraft limit fluctuated between £50 and £400.

Halifax have confirmed that each time Miss D requested an increase they:

- Asked Miss D what her income and housing costs were
- Compared the declared income with Miss D's statements
- Estimated Miss D's essential living costs using statistical data
- Used this information to calculate her monthly disposable income
- Checked her credit file

Halifax confirmed that, by this point, their collections department was no longer involved in Miss D's account management which means the lending decisions were assessed as

normal. I'm satisfied that this was a reasonable action to take since, as explained above, Miss D hadn't made Halifax aware of any continued financial difficulties.

I think these checks were reasonable and proportionate in the circumstances. For each increase, Miss D declared an income ranging between £1,000 and £1,500. The affordability assessments also suggested that she had very little external debt.

The regulations specifically allow a business to use statistical data to estimate an applicant's expenditure. And I haven't seen anything in the information Halifax obtained which ought to have prompted them to do further checks.

Did Halifax make fair lending decisions?

Just because I think the checks were proportionate based on Miss D's circumstances, it doesn't end there. I need to consider whether Halifax made a fair decision to lend.

Miss D declared no housing costs or other major commitments. Halifax used average data to estimate her essential living costs to be around £436 to £630 per month. So, based on these figures, Miss D was left with around £557 to £716 disposable income. All the increases were for modest amounts and wouldn't have required especially large payments to clear the full amount within a reasonable period. So, I'm satisfied there wouldn't have been any affordability concerns.

I also noted that Miss D appeared to be in a better financial position during this period. She was receiving higher and more stable benefits payments which meant she was able to come out of her overdraft most months.

Account management from January 2024 onwards

I'm also not persuaded that Halifax did anything wrong when they continued providing Miss D with an overdraft from January 2024 onwards. By this point, her limit was only £50 which appeared to be affordable based on her income and expenditure. I can see that Miss D applied for several increases throughout 2024 but these were all declined.

As mentioned above, Miss D appeared to be in a better financial position and was able to regularly come out of her overdraft. Halifax would be expected to get in touch with Miss D if there were signs of repeat use however, I'm satisfied that there weren't any during this period.

I accept that there were multiple returned direct debits, which can sometimes be a sign of financial difficulty. However, these appear to be because of Miss D's account management rather than any difficulties she might have been experiencing. I say this because Miss D had significant funds in her savings account which she was regularly transferring back into her current account. So, it's difficult to conclude that these payments were being returned due to Miss D not being able to afford them. I also noted that, on some occasions, the payments were returned due to Miss D transferring money to her savings account.

Overall and having carefully considered everything, I'm not persuaded Halifax treated Miss D unfairly or unreasonably.

Finally, I've also considered whether the relationship between Miss D and Halifax might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Halifax lent irresponsibly to Miss D 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.

Halifax responded to the provisional decision letting me know they had nothing further to add.

Miss D also responded and expressed her disappointment with it, stating that she struggled financially over the years, was behind on rent and council tax payments and she is still repaying this overdraft now.

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 outcome as I did in my provisional decision, and for the same reasons. I appreciate what Miss D has said about her financial difficulties over the years, but I'm satisfied Halifax showed forbearance when Miss D made them aware she was struggling. I'm not persuaded that her overdraft usage alone ought to have prompted Halifax to do anything further.

I know how strongly Miss D feels about this matter, and I'm sorry to disappoint her here. I've not seen anything that changes my provisional decision and so, I'm not persuaded Halifax acted unfairly when they increased her limit or renewed her overdraft during this period.

My final decision

For the reasons I've outlined above, I'm not upholding Miss D's complaint about Bank of Scotland plc trading as Halifax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 2 February 2026.

Amelie Makris
Ombudsman