

The complaint

Mrs M complains that Bank of Scotland plc trading as Halifax lent to her irresponsibly.

What happened

Mrs M had the following loans with Halifax:

	Date	Amount	Term	Monthly repayment	Closure date
Loan 1 (3201)	17 April 2018	£7,000	48 months	£191.18	25 April 2018
Loan 2 (8730)	25 April 2018	£8,513.39	60 months	£186.36	1 Aug 2018
Loan 3 (8501)	24 April 2019	£8,000	60 months	£145.33	25 Feb 2020
Loan 4 (6423)	21 Aug 2019	£3,500	60 months	£91.04	25 Feb 2020
Loan 5 (9732)	22 Feb 2020	£12,000	96 months	£216.54	12 Sept 2021
Loan 6 (4698)	12 Sept 2021	£15,770.93	84 months	£235.65	20 Oct 2022
Loan 7 (1813)	21 May 2022	£6,000	84 months	£110.59	27 Oct 2022
Loan 8 (3266)	19 July 2023	£12,000	84 months	£203.92	

On 8 June 2024, Mrs M complained to Halifax. She said the loans had been used to refinance other loans in her husband's name and she *"ended up in a vicious cycle of refinancing credit cards and loans continuously"*. She says the loans were unaffordable for her. To resolve her complaint, Mrs M requested Halifax to refund interest she'd paid on the loans and for further interest to be stopped on Loan 8.

Halifax looked into Mrs M's complaint and issued a final response letter. It said it was satisfied the loans were affordable for her. It had used her declared income, her share of housing costs as well as information it held on her and found at credit reference agencies to assess her applications. It also used data provided by the Office of National Statistics (ONS) to estimate her day to day living costs. Halifax didn't uphold her complaint.

Mrs M was unhappy with Halifax's response so she referred her complaint to our service. One of our investigators looked into it. He felt Loans 1-3 had been fairly lent to Mrs M, but he upheld her complaint from Loan 4 onwards. He explained to Halifax how he felt it should put matters right for her.

Mrs M accepted what our investigator said, but Halifax didn't - it maintained its view that the loans had been affordable for her. 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.

Mrs M has accepted what our investigator said about Loans 1-3 so I'll not comment further on them as they are no longer in dispute. While I still uphold this complaint in part, I have reached a different conclusion from that of our investigator. I issued a provisional decision saying:

“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 Mrs M 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 Mrs M 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 fair lending decisions?*
- *Did Halifax act unfairly or unreasonably towards Mrs M in some other way?*

Halifax had to carry out reasonable and proportionate checks to satisfy itself that Mrs M would be able to repay the loans 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 loans, the amount of the repayments and the overall circumstances of the borrower.

The rules lenders must follow are set out by the industry regulator, the Financial Conduct Authority, in its Consumer Credit Sourcebook (CONC). CONC 5.2A sets out the expectations on lenders about things they should consider as part of a creditworthiness check. It should be noted that CONC doesn’t require a lender to carry out an in-depth analysis of an applicant’s bank accounts before agreeing to lend – it simply requires a lender to do enough to be satisfied the borrower will be able to repay the lending without undue difficulty and on a sustainable basis.

Loan 4 (6423)

When she applied for the loan, Mrs M declared a monthly income of £1,779 and housing costs of £300. She had an existing loan (Loan 3) which had been taken a few months earlier. Our investigator felt Halifax ought to have done further checks on Mrs M’s application because it was only four months since her existing loan was taken. He felt it was wrong for the bank to have relied on estimated figures for her income and expenditure when it had access to her bank account and could have carried out a full assessment.

Our investigator found that Mrs M’s income was correctly quoted, but calculated her expenditure for the three months leading up to Loan 4 as being around £2,200 per month. He said therefore the loan was unaffordable for her as she only earned £1,780.

Our investigator reviewed Mrs M’s bank statements for three months prior to this loan application to work out her income and expenditure. I’ve looked at the same information but have reached a different result. I note he accounted for an average of £1,600 per month for payments to other creditors. But I don’t think that figure is a true reflection of Mrs M’s actual obligations. It does reflect what she actually paid but includes over payments. For example, in July 2019, Mrs M paid £1,615 to a credit card with Halifax, but this doesn’t appear to have been the contractual payment. Based on what Halifax saw on her credit file, Mrs M’s contractual payments to credit totalled around £420.

So it seems Mrs M made large overpayments to a credit card which our investigator reflected in her regular expenditure. I don’t think that’s reasonable – Mrs M wouldn’t have been expected to pay £1,615 every month. Using a more realistic expenditure figure in line

with her credit file, Mrs M would have had a monthly disposable income of around £490 per month – more than sufficient to cover the cost of this loan at £91.04. And this loan was to be used to refinance existing debt with Halifax, which would reduce her expenditure further.

Overall, I don't think it was unfair for Halifax to agree Loan 4 for Mrs M.

Loan 5 (9732)

When she applied for Loan 5, Mrs M's income was listed as £1,942 and she had total commitments of around £1,100. The loan was to repay Loans 3 and 4, on which she was repaying £236 per month – slightly more than the £216 required by this loan. Mrs M was up to date with her existing commitments and the loan appeared comfortably affordable for her while also reducing her expenditure.

Again, I don't think it was unfair for Halifax to have agreed this loan for Mrs M.

Loan 6 (4698)

Mrs M's income was listed as £1,460 per month on her application – a reduction of almost £500 (25%) of the previous figure as she'd gone part time at work. And this loan was to consolidate Loan 5 (itself a consolidation loan) and provide an extra £3,000 of 'new money'. I think these factors ought to have led to Halifax taking a closer look at Mrs M's financial circumstances to ensure she hadn't become over reliant on credit.

Looking at Mrs M's bank statements, her average earned income was slightly higher - £1,538 and she was now in receipt of child benefit of £42. Her total commitments had increased to £1,260. So Mrs M's disposable income had fallen to £320 (using these figures) while the loan called for payments of £235. So after the loan, Mrs M was left with just £85 per month for discretionary spending and any emergencies that may arise. I don't think this is enough to be confident that Mrs M could repay the loan sustainably.

I acknowledge that Halifax has said the interest rate on this loan was lower than for Loan 5 (6.9% as opposed to 13.5%) but I don't think it was prudent for it to provide new money to Mrs M given the cycle of refinance, the drop in income, apparent change in circumstances (evidenced by the child benefit and part time employment) and the tight disposable income she was left with.

I don't think it was responsible for Halifax to have agreed this loan for Mrs M.

Loan 7 (1813)

Mrs M's was still employed part time on a salary of £1,636. It's not clear what this loan was for as the purpose is listed on the application as "miscellaneous". As Loan 6 continued after this one was drawn, it appears to be £6,000 of new money. Given Mrs M had recently consolidated her debts for a third time and was now looking for extra money for an unspecified purpose, I think Halifax ought to have taken a closer look at her finances again.

Had it done so – perhaps by looking at her bank statements as previously – it would have seen her average earnings including child benefit was £1,585. Her committed expenditure totalled £1,402 which left £140 disposable income from which to fund this loan (£59.17) and any discretionary or emergency expenditure. I don't think the resulting £81 is sufficient for Halifax to be confident the loan was repayable sustainably.

I don't think it was responsible for Halifax to have agreed this loan for Mrs M.

Loan 8 (3266)

Loans 6 and 7 were repaid in full in October 2022, and Mrs M didn't apply for this loan until July 2023. So while I don't think Loans 6 and 7 were provided responsibly, I think it is reasonable for Halifax to have considered Loan 8 as an entirely new loan.

The loan was for £12,000 to buy a car. Mrs M was employed part time and declared an annual income of £24,799 with expenditure totalling £900. Repayments to this loan were £203.92 so appear to be reasonably affordable. Mrs M's previous loans had all been repaid with no missed payments or arrears.

I've not seen anything in the application data or the information gathered by Halifax that makes me think it ought to have asked further questions before agreeing the loan. I think it reached a fair decision to lend.

Other observations

Mrs M has explained that several of the loans throughout this cycle were repaid by her husband taking loans elsewhere in his name, and her loans were often used in part to repay debts for him. I don't think it would have been reasonable to expect Halifax to have identified that. The loans discussed in this decision were – as far as Halifax was concerned – for Mrs M and for her use. And I wouldn't expect it to question too deeply how the loans were repaid unless it had concerns about the origin of the money."

Halifax accepted my provisional decision, but Mrs M didn't. She said (in summary):

- The overpayment she made to the credit card in July 2019 (just prior to Loan 4) was a mistake.
- She and her husband remortgaged their home in October 2022 to pay Loans 6 and 7. She then went on maternity leave before applying for Loan 8 and was only receiving "standard maternity pay" of around £750 at the time. She said she accepts "responsibility for not declaring this".
- She didn't comment on my decision regarding Loan 5 and accepted what I said about Loans 6 and 7.

Overpayment to credit card

I acknowledge that Mrs M says the overpayment in July 2019 was a mistake. So it was wrong for our investigator to have considered that as part of her monthly income and expenditure. A more realistic figure would be the £420 or so I've used above. That being so, I think Loan 4 did appear to be affordable for her. It follows that I think Halifax made a fair decision when it agreed her application for Loan 4.

Loan 8

Again, I acknowledge Mrs M's comments that they remortgaged to clear Loans 6 and 7 in October 2022 and I have no reason to doubt what she says. It was then over eight months before she then applied for Loan 8 for a car, and she acknowledges she didn't tell Halifax that she had been on maternity leave since October 2022.

It's generally accepted that a business can rely on what it's told by a customer unless it has reason to dispute what's been said. When she applied for the loan, Mrs M told Halifax she was earning £24,799 per year. Halifax accepted this information and followed its' usual process. I've not seen anything which makes me think it ought to have asked further questions about her application.

While I don't think it needed to, if Halifax *had* asked further questions, I think Mrs M would likely have explained (and been able to demonstrate) that she was returning to work. I say this because I can see that her salary recommenced at £1,700 or so from August 2023. So I think it's likely she was at the end of her maternity leave when she applied for this loan – hence she felt she could declare her annual salary on the application.

Having considered all the information provided by each party to this complaint, I think Halifax reached a fair decision to grant Loan 8 to Mrs M.

Loans 5, 6 and 7

Mrs M has provided no further evidence or comments regarding Loan 5, and has accepted my provisional decision on Loans 6 and 7, so I don't need to comment further on these loans.

Putting things right

As I don't think Halifax should have agreed Loans 6 and 7 (4698 and 1813) for Mrs M, I don't think it should benefit from the interest and charges she's paid on them. As she has repaid the loans in full, any charges and interest should be refunded to her. Halifax should:

- Add up the total repayments Mrs M made to Loans 6 and 7 (4698 and 1813) and deduct these from the total amount of money she received.
 - As the loans have been repaid in full, this will result in Mrs M having paid more than she received, so the overpayments should be refunded along with **8% simple interest per year** (calculated from the date the overpayments were made until the date of settlement).*
 - Halifax should also remove all adverse information regarding this account from Mrs M's credit file.

*If Halifax considers that it's required by HM Revenue & Customs (HMRC) to deduct income tax from that interest, it should tell Mrs M how much it's taken off. It should also give Mrs M 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 in part. Bank of Scotland plc trading as Halifax should put matters right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 12 February 2026.

Richard Hale
Ombudsman