

The complaint

Mr G complains that BoS lent to him irresponsibly when it agreed to increase his overdraft limit. He also complains that BoS acted unfairly by continuing to provide the facility despite his financial difficulties.

What happened

The facts of this case are familiar to both sides, so I don't intend to repeat everything in detail here. Instead, I'll provide a summary.

In September 2014, Mr G applied – and was accepted – for an interest-free overdraft facility of £500 on his Student Account. The account was subsequently converted to a graduate account in July 2017, and the overdraft remained interest-free. In July 2020, Mr G's account was converted to a Classic Account, at which point the overdraft began to attract interest.

Mr G's complaint is that BoS says that BoS did not carry out reasonable and proportionate checks at the point the account was converted to a Classic Account.

After the account was converted to a Classic Account in July 2020, the limit was increased 11 times as follows:

Overdraft Limit Increase (OLI) Number	Date	Existing Limit	Limit Increase	New Limit
1	12 November 2020	£1,000	£350	£1,350
2	17 August 2021	£1,350	£150	£1,500
3	20 August 2021	£1,500	£100	£1,600
4	24 August 2021	£1,600	£130	£1,730
5	30 August 2021	£1,730	£80	£1,800
6	20 September 2021	£1,800	£190	£1,990
7	14 October 2023	£1,990	£410	£2,400
8	26 October 2023	£2,400	£100	£2,500
9	28 October 2023	£2,500	£100	£2,600
10	11 November 2023	£2,600	£100	£2,700
11	25 November 2023	£2,700	£50	£2,750

Mr G initially complained to BoS about its decision to provide him with an overdraft since 2017. In doing so, he said, amongst other things, that BoS *“failed to notice [his] financial difficulty during the annual reviews of [his] overdraft.* He went on to say that his income was *“£2,000 a month and – after [he] had paid bills – there was no way [he] could hope to clear an overdraft of £2,500+ in a reasonable length of time.”*

In his submissions to our service, Mr G confirmed his complaint is about events which took place since his account was converted to an interest-bearing one. This took place in July 2020.

In April 2025, BoS issued its final response to Mr G's complaint. In short, BoS did not uphold the complaint. In doing so, it said (amongst other things) that it had reviewed Mr G's usage of the account and, having done so, it was satisfied Mr G's "*incomings were more than sufficient to cover the essential outgoings*". It went on to say that "*the arranged overdraft could've been repaid in a reasonable period of time*".

Unhappy with this, Mr G referred the matter to our service.

One of our investigators looked into the complaint and, in August 2025, issued their opinion in which they upheld the complaint in part. In short, the investigator said that BoS acted unfairly when it agreed OLI 5 in August 2021 because Mr G's income was not sufficient to get him out of the facility if it was fully utilised. Further, the investigator noted Mr G had been using the overdraft extensively in the months prior to the limit increase.

Mr G agreed with what the investigator had to say.

However, BoS did not agree. In doing so, it said (amongst other things) that Mr G's "*non-discretionary commitments were minimal until mid-2023 and his continued high discretionary spending demonstrates he is using the overdraft as a means of maintain his lifestyle rather than trapped or showing signs of financial difficulties*".

As an agreement couldn't be reached, the complaint was passed to me to decide.

On 5 December 2025, I issued a provisional decision. Here is what I had to say:

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 think this complaint should be upheld. However, I think it should be upheld from a different point than the investigator. I'll explain why I think this is a fair outcome in the circumstances.

But, before I do, I would like to make it clear that I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr G's complaint.

BoS needed to make sure it didn't lend irresponsibly. In practice, what this means is BoS needed to carry out proportionate checks to be able to understand whether Mr G could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for

example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

So before agreeing to approve or increase the credit available to Mr G, BoS needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There isn't a 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.

OLIs 1-4

The investigator did not uphold Mr G's complaint about BoS's decision to provide the OLI 1-4. And, as Mr G accepted the investigator's findings and BoS only disagreed with what the investigator had to say insofar as it relates to CLI 5 onwards, it seems these lending decisions are no longer in dispute.

With that being the case, I see no reason to say much on the matter. However, for completeness, I agree with the outcome the investigator reached with regards to these lending decisions.

I say this because, as the investigator concluded, BoS carried out reasonable and proportionate checks prior to agreeing to lend. And I don't think there was anything in the information BoS gathered – which included information from Mr G's credit file and his management of the account – that ought to have given it cause to refuse to lend.

I say this noting the bank statements reveal that Mr G's average monthly income in the period prior to the lending decisions was between £1,500-£1,700 which was sufficient to bring his account into credit at times. With that being the case, it seems Mr G had sufficient income to clear the overdraft within a reasonable of time. Further, there were no other obvious signs of financial hardship, such as reliance on payday lending or similar.

Therefore, I think BoS made a fair decision when it approved the OLIs 1-4.

OLI 5 and OLI 6

Prior to agreeing to lend, Mr G was asked to provide details about his income, housing costs and 'other major commitments'.

BoS calculated 'essential living costs' which it based on a statistical model which takes into account money spent on groceries, clothing and commuting and as assigns values based on facts such as age, income and area of the country.

Finally, BoS added unsecured credit commitments based on a credit search.

It deducted all of this expenditure from Mr G's declared income to arrive at an estimated monthly disposable income. Here is a breakdown of what BoS found for each application:

Lending decision	Income	Housing Costs	Other Major Commitments	Unsecured credit commitments	Essential living costs	Disposable income
OLI 5	£1,833	0	0	16	414	£1,403
OLI 6	£2,000	0	0	22	438	£1,540

As I've said, BoS conducted a credit search and it has provided the results from this to our service. The results show that Mr G did not have any recent defaults and there was no evidence of bankruptcies or CCJs.

However, the results BoS has provided are rather high-level. I say this because it doesn't, at least on my reading, show any information about Mr G's existing indebtedness (which leads me to be unclear about how BoS arrived at the figures it did for 'unsecured credit commitments') or whether there were any recent missed payments or arrears.

What's more, it is my understanding that BoS made no attempt to cross check or verify Mr G's declaration of income.

CONC 5.2A.16G (3) states:

"For the purpose of considering the customer's income under CONC 5.2A.15R, it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence (for example, in the form of information supplied by a credit reference agency or documentation of a third party supplied by the third party or by the customer)".

That said, CONC 5.2A.15R (1)(a) allows for CONC 5.2A.16G (3) not to apply when:

"the firm can demonstrate that it is obvious in the circumstances of the particular case that the customer is able to make repayments in accordance with CONC 5.2A.12R, so as to make the actions described in (2) to (4) disproportionate;".

There doesn't appear to be anything in what it has been provided which suggests it was obvious in the particular circumstances of the case that Mr G was able to repay what he could owe after all of the limit increases.

Therefore, keeping in my mind the above guidance, I think BoS needed to do more than simply rely on Mr G's declaration.

Further, by requesting OLIs 5 and 6 Mr G was seeking to increase his overdraft limit for the fourth and fifth time (respectively) in around a month. Whilst the limit increases were (in my view) relatively modest, this high frequency of applications could point to some degree of financial instability.

Taking all of this into account, I don't think BoS conducted reasonable and proportionate checks prior to agreeing to lend.

As Mr G was an existing BoS current account holder, I've looked at the account ledgers covering the three months leading up to OLI 5 (i.e. May-July 2021) and OLI 6 (i.e. June-August 2021).

However, to be clear, I would not expect BoS to conduct a forensic analysis of Mr G's bank statements. That strikes me as disproportionate to the size of the lending in question. Instead, I think it would have been reasonable for BoS to have used this information to confirm Mr G's income and to check for any obvious indicators to suggest Mr G was suffering financial hardship.

The bank statements reveal that Mr G's monthly income¹ was only slightly lower than the figure Mr G had declared. Mr G's average income was about £1,720 in the three months prior to OLI 5 and about £1,830 in the three months prior to OLI 6².

I can see Mr G was using his overdraft regularly during this period. It could be argued that Mr G's regular use of his overdraft was, in itself, an indication that he was struggling.

However, I note the account was brought into credit, albeit relatively briefly, each month upon receipt of his salary. What's more, it looks like Mr G's committed expenditure (Direct Debits and Standing Orders) were minimal in this period. I note payments towards 'Rent' and 'Council Tax' began in August and September 2022, but even by factoring these in BoS would, reasonably in my view, have cause to conclude Mr G had sufficient means to afford the borrowing in question and enable him to repay the whole borrowing in a reasonable period of time.

And, while I'm not seeking to make retrospective value judgements over her expenditure, there are reasonable amounts of non-contractual and discretionary transactions which could significantly reduce Mr G's overdraft.

What's more, there are no other obvious signs of financial hardship, such as regularly returned Direct Debit, regularly going over the agreed overdraft limit or reliance on payday lending.

I do fully accept it's possible that Mr G's position might have been worse than what it looks like from the information BoS gathered or ought to have gathered. And it is possible (although I think it is unlikely) that any manual scrutiny of Mr G's bank statements or a similar level of forensic analysis during this period would have led BoS to a different lending decision. But I've seen no reason why it would have been reasonable or proportionate for BoS to have gone this far before approving the overdraft borrowing.

So, in these circumstances, I don't think BoS acted unreasonably when it decided to approve Mr G's applications of OLIs 5 or 6. Therefore, I don't currently uphold this aspect of Mr G's complaint.

Monitoring of the account

I've turned to consider what happened after OLI 6 was approved in September 2021. The regulations applicable at this time – which had been in place for some time - were set out by the industry regulator, the Financial Conduct Authority, in its Consumer Credit Sourcebook (CONC).

CONC 6.7.2R(1) said "A firm must monitor a customer's repayment record and take appropriate action where there are signs of actual or possible repayment difficulties."

While CONC doesn't set timeframes in which businesses ought to review overdrafts, we generally expect a review to take place at least annually (or when a new limit is applied for) and that such a review would consider things such as:

- how the account is funded;
- how often the account has a credit balance;

¹ This excludes sporadic receipts from other sources, including monies received from what I assume are friends and family.

² It looks like Mr G's income was significantly more in August 2021 (£2,111.40) compared to the prior months.

- how the overdraft facility is being used; and
- whether there were any signs of financial difficulties, which might mean the customer would struggle to repay their overdraft within a reasonable period of time.

I can see from Mr G's bank statements it states the renewal date is November each year which would be the anniversary of OLI 1 being granted. I note BoS says that it reviews accounts continuously, as opposed to annually. But, for the purposes of this decision, I will consider what BoS would have seen if it reviewed his account in November each year - as this would have given it an opportunity to conduct a holistic review of account performance over a sustained period.

So, I've looked at how Mr G was managing the account between September 2021 (when CLI 6 was approved) and November 2021 (the first renewal date).

Having done so, I can see Mr G was using his overdraft consistently in this period. And in October 2021 Mr G does briefly go over the agreed limit the day before his salary is paid in which doesn't quite clear the overdraft.

I note there are no other obvious signs of financial hardship, such as returned Direct Debits or evidence of payday lending in this period. On balance, I don't think there was sufficient evidence to say BoS had reasonable grounds to conclude that Mr G's overdraft usage had become problematic such that it should take corrective action in relation to his account activity.

But, noting his extensive overdraft usage and the fact he had gone over the agreed limit, I think this ought to have put BoS on notice that Mr G may be starting to exhibit signs that he would struggle to repay his overdraft within a reasonable period of time.

Therefore, I've turned to look at how Mr G was managing his account between November 2021 and the next renewal date, November 2022. Having looked through the statements covering the period, I think there are signs Mr G was having trouble managing his money.

I say this because Mr G was using his overdraft regularly during this period. Indeed, he was overdrawn every month and often close to the limit. The only meaningful period in which Mr G's account was not overdrawn was for about 20 days in May 2022.

What's more I note, oftentimes, on receipt of his salary the account remained overdrawn which would call into question Mr G's capacity to clear the overdraft balance within a reasonable period of time.

But perhaps of more concern is, on my reading of the statements, in six of the 12 months³ in this period Mr G had exceeded his overdraft limit, albeit briefly. And, in one of those months (April 2022), the account was only brought back into credit because Mr G borrows from a high-cost lender.

I accept that the extent to which the account was generally only ever above its agreed limit does, at first glance, appear modest⁴. However, the regularity with which it occurred over a prolonged period of time is concerning. This pattern of behaviour suggests to me someone who isn't managing their finances well, and someone who is showing possible signs of financial difficulties.

³ November 2021 and April, June, July, August and September 2022.

⁴ With the exception of July 2022 when the account is around £300 over the agreed limit and it is only brought back within the agreed limit due to a transfer in from a family member.

By November 2022, BoS would have had over 12 months' worth of overdraft usage data to consider when deciding whether to renew Mr G's facility on the same terms. And, in light of the way Mr G was managing the account, I don't think it acted fairly in doing so.

I accept that there is a degree of what appears to be non-contractual and discretionary transactions throughout this period.

But I don't think this changes the fact that Mr G wasn't managing the facility well and wasn't using it for emergency short-term borrowing as intended. Guidance from the FCA says a customer who becomes or remains overdrawn every month over a 12-month period is likely to be at risk of financial difficulty, and I think that was the case here. Mr G wasn't managing his account well at this time and appears to have become reliant on the overdraft. I think BoS should have taken the initiative and removed the overdraft facility following the November 2022 review.

I would also add that while after this overdraft renewal event, the pattern of behaviour and management of the facility – including occasionally exceeding the overdraft limit – remained largely the same in the months that followed.

In summary, I think the evidence shows BoS made reasonable decisions to approve the credit limit increases up to September 2021. But following the November 2022 review, I think it should have concluded it was no longer responsible to continue offering the facility to Mr G on the same terms.

Has BoS acted unfairly or unreasonably in any other way?

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr G in the circumstances of his complaint.

I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Finding the fair and reasonable way to put things right in this situation is not straightforward. What BoS ought to have done, in my view, is begin to reduce Mr G's overdraft limit from November 2022. And so, the amount of interest he was paying ought also to have gradually reduced.

However, reconstructing the pace and trajectory of those reductions over three years later is nigh on impossible.

Taking into account my role to resolve complaints quickly and with the minimum of formality, and also my ability under Section 229 (2) (b) of the Financial Services and Markets Act 2000 to award what I consider to be fair compensation, I currently think the fairest outcome will be for BoS to:

- *Re-work Mr G's current overdraft balance so that all interest, fees and charges applied to it from November 2022 are removed.*

AND

- *If an outstanding balance remains on the overdraft once these adjustments have been made, BoS should contact Mr G to arrange a suitable repayment plan for*

this. If it considers it appropriate to record negative information on Mr G's credit file, it should backdate this to November 2022.

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 Mr G, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then BoS should remove any adverse information from Mr G's credit file.

Responses to my provisional decision

I gave both parties an opportunity to respond to my provisional decision.

In response, Mr G asked some questions about the mechanics of the redress I proposed but otherwise did not raise any objections to the substance of my provisional decision.

BoS did not respond to my provisional decision.

The deadline for further submissions was 19 December 2025. As that deadline has now lapsed, I've reviewed the complaint again.

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 reconsidered the available evidence in this complaint – and in the absence of any further submissions or evidence from either party insofar as the merits of the complaint are concerned - I see no reason to depart from the findings set out in my provisional decision.

This being that BoS did not act fairly when it continued to provide the overdraft, on the same terms, from November 2022 onwards when considering the way Mr G was managing the account.

In reaching this conclusion, I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr G in the circumstances of his complaint.

I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

To put things right, BoS should:

- Re-work Mr G's current overdraft balance so that all interest, fees and charges applied to it from November 2022 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have

been made, BoS should contact Mr G to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr G's credit file, it should backdate this to November 2022.

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 Mr G, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement †. If no outstanding balance remains after all adjustments have been made, then BoS should remove any adverse information from Mr G's credit file.

† HM Revenue & Customs requires BoS to take off tax from this interest. BoS must give Mr G a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons set out here and in my provisional decision, I uphold this complaint and direct Bank of Scotland plc to settle matters in the way I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 4 February 2026.

Ross Phillips
Ombudsman