

The complaint

Mr H complains that Bank of Scotland plc trading as Halifax irresponsibly lent to him.

What happened

Mr H was approved for a Halifax credit card in July 2022, with a £4,500 credit limit. The credit limit was increased to £5,500 in August 2023. Mr H says this was irresponsibly lent to him. Mr H made a complaint to Halifax, who partially upheld his complaint. Halifax said they shouldn't have increased the credit limit, but they felt the initial lending decision was fair. Mr H brought his complaint to our service.

Our investigator did not uphold Mr H's complaint. He said that Halifax's checks for the initial credit limit were proportionate, and they made a fair lending decision. Mr H asked for an ombudsman to review his complaint. He made a number of points. In summary, Mr H said that Halifax's affordability assessment was based on a declared gross income of £80,000, but they did not verify this. He said his role at the time was commission-weighted and inherently variable. He said Halifax should've considered whether the £4,500 credit limit could be repaid in a sustainable manner, without a reliance on further borrowing.

Mr H said that by August 2023, Halifax had accepted that they failed to account for him using his credit card for day-to-day expenditure, and this reliance did not arise at the point of the credit limit increase, but it was a foreseeable consequence of the original credit limit. Mr H questioned whether Halifax's internal income modelling met reasonable and proportionate checks for a £4,500 credit limit, whether affordable and sustainable had been tested, and whether Halifax should have set a lower credit limit, or whether they should have carried out further checks regarding income stability.

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.

Firstly, I'm aware that I've only summarised Mr H's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

One of the things Mr H has asked me to consider is whether Halifax should have set a lower credit limit. But it is not the role of this service to decide what credit limit should be set for a borrower. This would be a commercial decision for Halifax to decide. But instead, I will be looking at whether the checks for the initial lending decision were proportionate, and if they made a fair lending decision to approve a £4,500 credit limit.

As Mr H only wants this decision to focus on the initial lending decision, then I have not made a finding on the credit limit increase as both parties agree with the findings of Halifax for the credit limit increase.

Before agreeing to approve the credit available to Mr H, Halifax needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no 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. I've listed below what checks Halifax have done and whether I'm persuaded these checks were proportionate.

I've looked at what checks Halifax said they did when initially approving Mr H's application for the credit card. The CRA reported that Mr H had no defaulted accounts, no County Court Judgements (CCJs), no accounts in arrears at the time of the checks, and no accounts in arrears for the six months prior to the checks.

Mr H declared he was employed, declaring a gross annual income of £80,000. I've considered what Mr H has said about Halifax not verifying this income. But Halifax do not have to speak to Mr H to make further checks. I say this because a Credit Reference Agency (CRA), were able to verify the income using Current Account Turnover (CATO), which is an industry standard way of verifying income without having to contact a potential borrower.

So Halifax did not just take Mr H's word for his income, they made a further check, and the results of the check supported what Mr H has told them. I've considered what Mr H has said about his income being commission-weighted, and the volatility of that income. But I can't fairly say that Halifax would have any reason to believe Mr H's income wasn't stable given that he declared he was employed and not self employed, and as he had declared he had been with his employer for only five months. So I can't fairly say it would have been proportionate for Halifax to have contacted Mr H to request items such as his payslips or bank statements here.

Mr H told Halifax his housing costs were for £1,000 a month, and he didn't declare any other outgoings. But Halifax did not just take Mr H's word for this, as they also used modelling, which is an industry standard way of estimating his essential living costs. And the CRA told them how much he was paying towards his monthly credit commitments. So if Halifax would have taken Mr H's word for how much his expenditure was each month, then they would only have £1,000 of expenditure for him. But as the modelled expenditure, and the CRA information showed higher outgoings, then Halifax took the higher figures as part of the affordability assessment.

I'm persuaded that no further checks were needed here, such as viewing Mr H's bank statements. Mr H already had the opportunity to declare higher outgoings than the £1,000 a month he declared, therefore, Halifax undertook a further check to see if modelling would show higher outgoings – which they did. But even with the higher outgoings, the disposable monthly income that was showing for Mr H shows that repayments should be sustainable and affordable for a £4,500 credit limit, without relying on further borrowing to repay this in a sustainable amount of time.

In addition to this, it appeared that Mr H wanted to complete a balance transfer on a promotional interest rate, so it would be reasonable to expect this would save Mr H interest. The credit limit was around 5.6% of Mr H's declared gross annual income.

So in the absence of any adverse information on Mr H's credit file, and the disposable income showing after the affordability assessment, then I'm not persuaded it would have been proportionate for Halifax to have contacted Mr H directly to ask him details about his income and outgoings, or to request evidence of this from something like a bank statement, as this wouldn't be proportionate in the circumstances here. So I am persuaded that Halifax's checks were proportionate here, and they made a fair lending decision.

Although Halifax may have upheld Mr H's complaint from the credit limit increase, I'm not persuaded that this meant lending over a year earlier would not be affordable or sustainable for him, (and as Mr H's statements show he often repaid more than the minimum requested repayment prior to the credit limit increase, which I wouldn't expect him to be able to pay more if he was financially struggling at the time).

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Halifax lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 March 2026.

Gregory Sloanes
Ombudsman