

The complaint

Ms W says that Bank of Scotland Plc, trading as Halifax ('Halifax') provided her with increases to her overdraft that were unaffordable for her.

What happened

The account was opened in November 2020 with the overdraft first being provided in April 2021 with a limit of £150. It was then increased and adjusted on at least 91 separate occasions between then and November 2024, when it reached £2,040.

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 general approach to complaints about unaffordable or irresponsible lending on our and I've taken this into account in deciding Ms W's case.

I've decided to uphold this complaint on the same basis as our investigator. I'll explain why:

- I think the checks Halifax did before providing the initial overdraft of £150 in April 2021 were reasonable and didn't suggest any financial difficulty. Ms W declared her income and gave details of how much rent she was paying and how much she needed for her monthly commitments.
- Ms W then went to make a further six applications between April and June 2021 – the first increase to £250 coming only a few days after the opening limit. By June 2021 she was seeking a limit of £430.
- Halifax says it carries out more detailed checks for applications to increase overdraft borrowing by amounts more than £250. That suggests that Ms W's numerous applications weren't subject to that greater level of checks. That's supported by the application data Halifax has sent us which don't appear to show additional checks.
- However, I think the volume of applications ought to at least have attracted Halifax's attention so that it could take a closer look at what was happening with Ms W's finances. I agree with our investigator that by August 2021 at the latest Halifax should have picked up on Ms W's over-reliance on her overdraft and other lending sources. I can see she was making constant use of her overdraft and breaching it from time to time. She was also making regular use of a short-term high-cost credit provider. Also, like our investigator, I've noticed that her income was lower than the figures she'd quoted to Halifax, whilst her essential pending was higher. The figure of £45.46 Halifax used for paying off the overdraft in a reasonable period of time did not appear achievable in view of her level of monthly commitments.

- So I think it's reasonable to say that Ms W was struggling with her finances by the time she applied to increase her overdraft to £500 on 10 August 2021. There was a real risk that Ms M's financial circumstances could deteriorate. All lending decisions need to be borrower focused. As Ms W was already a Halifax customer, it was already well-placed to look into Ms W's wider financial situation through access to her bank statements. But I can't see that happened.
- Given what I've seen, I think by August 2021 Halifax ought to have recognised there was a likelihood that Ms W would be unable to sustainably repay the increased overdraft.
- Halifax says it started writing to Ms W via SMS about her reliance on her overdraft in March 2023, but I think that was too late. I note that her over-reliance could be seen continuing after that, in 2022 and 2023 and 2024. From November 2024 onwards she was making constant use of her overdraft and not going into credit at all.

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 Ms W in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Halifax shouldn't have increased Ms W's overdraft limit after 10 August 2021. It therefore needs to do the following:

- Re-work Ms W's overdraft balance so that all interest, fees and charges should be removed from the account for balances above £430.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Halifax should contact Ms W to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Ms W's credit file, it should backdate this to 10 August 2021.

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 Ms W, 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 Halifax should remove any adverse information from Ms W's credit file. †

† HM Revenue & Customs requires Halifax to take off tax from this interest. Halifax must give Ms W a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that I'm upholding this complaint in part. Bank of Scotland plc, trading as Halifax, must put things right as set up above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 5 May 2026.

Michael Goldberg

Ombudsman