

The complaint

Miss P says that Bank of Scotland plc, trading as Halifax ('Halifax') provided her with an overdraft and then increases to it that were unaffordable for her.

What happened

The overdraft was opened in July 2022 with an overdraft limit of £300. It was then increased on 24 different occasions between then and January 2024, when the overdraft limit reached £2,100.

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 website and I've taken this into account in deciding Miss P's case.

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

- I think on balance the checks Halifax did before providing the initial overdraft of £300 in July 2022 were likely to have been reasonable. I don't have full details of the checks they did at the time. However, I can see from the application data that they were aware of her monthly income and were able to verify it from the income they could see on her account statements. On that basis and given the way Miss P was managing her account with no evidence to suggest significant financial difficulty, the initial overdraft looked to be something she'd be able to pay back sustainably.
- I've next looked at each of the applications to increase the overdraft. Again, given that I only have limited application data, I've relied on Miss P's bank statements. These give a good indication of what was happening with Miss P's wider financial situation. Miss P also gave our investigator some further details about her financial situation and since sending his view letter has told us that she was reliant on it for everyday living expenses. I've seen evidence of that for example in the form of food shopping and car expenses. I've also noted her level of non-essential spending, which suggests there was scope for reducing her overdraft reliance.
- Up to November 2023, Miss P's overdraft usage didn't suggest that her financial situation might be worsening. In 2022 she was using the overdraft facility on an occasional basis. From mid-2023 there was an increased level of overdraft use, and this activity is reflected in the numerous applications she made to have the limit increase. I've noted that during this time she kept the usage within the overdraft limits. By November 2023, however, with her overdraft reaching £1,300 and then £1,400, Miss P was staying in her overdraft for most of the month that followed, with her salary falling short of clearing it. From December 2023 she was constantly in her overdraft. She didn't receive any further monthly salary, switching to a new job which paid on a weekly basis. Also, her monthly income wasn't enough to bring her back

into credit.

- Given the volume of applications that were being made, I'm surprised that Halifax didn't take action by contacting her about her overdraft use and seeking to reduce her reliance on it. So I agree with our investigator that by then Halifax should have picked up on Miss P's over-reliance on her overdraft, plus her inability to begin reducing it.
- So I think it's fair to say that Miss P was showing signs of struggling with her finances from November 2023. I therefore agree with our investigator that by January 2024 at the latest, Halifax ought to have taken action to ensure that she take measurable steps to begin reducing her overdraft reliance. By then Halifax had had sufficient time to have recognised that it was becoming increasingly unlikely that Miss P would be able to repay the overdraft on a sustainable basis.
- Halifax says it wrote to Miss P in April and October 2024 and then again in May 2025 about her overdraft usage. I think these came too late and weren't enough to ensure Miss P took action to reduce her reliance on her overdraft.

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 Miss P 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 Miss P's overdraft limit after 8 January 2024. It therefore needs to do the following:

- Re-work Miss P's overdraft balance so that all interest, fees and charges should be removed from the account for balances above £2,000 from 8 January 2024.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Halifax should contact Miss P to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Miss P's credit file, it should backdate this to 8 January 2024.

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 Miss P, 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 Miss P's credit file. †

† HM Revenue & Customs requires Halifax to take off tax from this interest. Halifax must give Miss P 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 Miss P to accept or reject my decision before 8 May 2026.

Michael Goldberg

Ombudsman