

complaint

Miss H complains that Bank of Scotland plc (trading as Halifax) acted irresponsibly by allowing her a large overdraft without checking that she could afford it.

background

When Miss H opened her account with Halifax late in 2013, it agreed a £100 overdraft limit. But over less than a fortnight in the summer of 2014 she was able to increase the limit to £5,000. She did this in several stages, and applied for the increase online each time. Five subsequent requests by Miss H to increase the limit further were declined.

Miss H says her income was low and didn't increase before the changes were made. She doesn't believe Halifax carried out any credit checks before agreeing to the increases. What's more, she was suffering from a gambling addiction at the time. She had to borrow money from her family to keep her account within the agreed limit and to meet her essential living expenses. As a result, she's in serious debt, and she has no way of repaying it. Miss H adds that Halifax didn't give her any help or advice. She'd like Halifax to write off her debt and give her some compensation to help her pay off other debts which she says were caused directly by Halifax's actions.

Halifax says it assesses a customer's ability to repay an overdraft using an automated credit-scoring process. It takes into account the way a customer runs their accounts and information provided by credit reference agencies. If a customer applies for an overdraft online, it assumes that they've considered how much they want to borrow and how much they can afford to repay. Miss H's account had received very substantial credits in the few months before she made the overdraft applications. Halifax says this would explain how she was able to get the £5,000 overdraft limit. Its automated system doesn't look into the source of the income. And she hadn't told it about her gambling problem when the increases were approved.

Halifax says it was only when it stopped approving Miss H's requests to increase the overdraft limit that she contacted its Money Management Team. At that point she explained that she was addicted to gambling. It gave her details of a free debt advice organisation.

Our adjudicator didn't recommend that the complaint should be upheld. She said Halifax had followed its established processes in deciding whether to approve the overdraft requests. She wasn't convinced that Halifax knew about Miss H's gambling addiction when she requested the increases. And she considered that Halifax had treated Miss H positively and sympathetically when it agreed to freeze all interest and charges on her account.

Miss H says she still can't see how Halifax could have agreed to the increases, given that her income hadn't increased. She'd been banking with Halifax for less than a year, and she knows she didn't have a good credit rating at the time.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I've reached the same conclusion as the adjudicator.

It may be that if Miss H's overdraft applications had been considered by a human being, Halifax would have realised that she was addicted to gambling. But Miss H chose to make all her requests for increases using internet banking. Halifax used its normal processes to decide whether or not to grant them. In the case of applications made online, the process was fully automated. Halifax has explained that the fact that Miss H had received large credits into her account in the preceding months will have contributed the applications being approved.

Miss H borrowed the money and spent it. Banks don't have a general duty to their customers to monitor or restrict the use they make of an overdraft or other borrowing facilities. I have sympathy for Miss H, and I don't underestimate the difficulties that she finds herself in. But I don't consider that it would be fair or reasonable to require Halifax to write off the overdraft.

We expect banks to treat customers positively and sympathetically once they become aware that they are experiencing financial difficulties. As soon as Miss H told Halifax about her gambling problem, it refunded charges on the account. Miss H is now making payments to reduce the debt gradually through a debt management organisation. Meanwhile, Halifax has frozen all interest and further charges on her account. I consider Halifax's response to have been fair and reasonable, once it became aware of Miss H's situation. I don't consider that I can fairly require it to do more.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss H to accept or reject my decision before 27 July 2015.

Juliet Collins
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