

complaint

Mr W complains that Bank of Scotland plc lent him money irresponsibly when it should have realised that he had a gambling problem.

background

In May 2014 Bank of Scotland (trading as Halifax) approved a £500 overdraft limit for Mr W. He quickly increased this to £1,900 by online application. In April 2015 he settled the overdraft using a loan from another provider. Over the following year he frequently applied online for overdraft increases and reached a limit of £3500 in May 2016. Again he repaid this in full using a loan from another provider. The same pattern of overdraft applications and increases continued until Mr W reached a limit of £4,150 in October 2017. Mr W applied for a Halifax loan that month and used it to repay his overdraft and existing loan.

Mr W then complained to Halifax saying that it should not have continued to approve his applications as he was using the money to fund his gambling habit. He said he had told Halifax of his problems during branch visits, but in any event an inspection of his account would have revealed that he was spending money on gambling. Mr W said Halifax had allowed him to run up significant debts that were made worse by interest charges and overdraft fees. He said all of this had had a very severe impact on his health and well being, and also resulted in him now having a very poor credit score.

In its reply Halifax explained how it assessed borrowing applications by taking account of, amongst other things, applicants' credit reference file information and information it had on file if the applicant was an existing customer. It also considered income and expenditure information to determine whether the sum applied for was likely to be affordable. And the bank said it had followed these procedures in approving Mr W's applications.

It said it wasn't aware that Mr W had gambling problems and didn't routinely look at the detail of how customers were spending their money on a daily basis. It didn't uphold Mr W's complaint, but provided a telephone number if Mr W wished to discuss his finances or seek support.

Mr W was unhappy with this response and brought his complaint to us.

Our adjudicator's view was that Halifax had dealt with Mr W's complaint fairly. In summary, the adjudicator considered that the bank had carried out reasonable checks before approving Mr W's applications and his credit file hadn't revealed a record of significant arrears or account defaults.

The adjudicator also looked at whether the two loans Mr W had taken out with Halifax could be said to have been lent to him irresponsibly. But his view was that the loans appeared to have been affordable, and the second loan reduced Mr W's monthly outgoings. And whilst he accepted that Mr W had a gambling problem, he could see no evidence that the bank had been made aware of this. Mr W's account did show online gambling transactions, but he nevertheless remained broadly within his credit limit and made regular credits to his account.

Based on the information available to Halifax the adjudicator didn't consider that its lending decisions had been made irresponsibly.

Mr W disagreed and re-emphasised his earlier points about the adverse impact of his debt on both his health and credit score.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Essentially, Mr W is saying that Halifax should have realised he was spending his money on gambling and not continued to provide him with the means to do this over an extended period. He has said that the bank's irresponsible lending resulted in him incurring a significant level of indebtedness and that this has had an adverse impact on his health.

Banks are expected to act responsibly in approving borrowing requests. They should carry out reasonable and proportionate checks on applicants' credit worthiness and assess the likelihood that applicants will be able to repay the money in an acceptable timescale. But the precise checks are not prescribed and it is up to individual organisations to determine what checks they consider necessary in particular circumstances.

Most of Mr W's applications were made online and were for overdraft increases. Halifax has said that although the approval process was automated, checks were nevertheless still carried out and it has explained in broad terms what these were.

Having looked at Mr W's credit file and information about his account I can see no apparent reason why Halifax would have had concerns about either his overdraft or loan applications. His account was generally well managed and his credit file didn't highlight any particular issues. And the amounts he was requesting appear to have been affordable based on his declared income.

But Mr W believes that the bank should have realised from his statements that he was spending a lot of money gambling and so turned down his applications. But I'm afraid I cannot agree with Mr W on this point. Generally I wouldn't expect banks to analyse customers' daily expenditure unless customers were either in financial difficulty, which Mr W wasn't, or the bank had been alerted to some problem with a customer's financial circumstances. Mr W has said that he told branch staff about his gambling problem, and although I do not doubt that he did, he mustn't have done so with sufficient emphasis for it to be noted as of potential concern.

And so although I have considerable sympathy with Mr W I'm afraid I cannot reasonably conclude that Halifax has done anything wrong here.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 3 July 2019.

June Brown
ombudsman