Financial Ombudsman Service

complaint

Mr M complained that Bank of Scotland plc, trading as Halifax, lent to him irresponsibly.

background

In autumn 2016, Mr M complained to Halifax that it had let his overdraft facility increase to £5,000. Mr M said that in February 2014 he'd been to a branch, told an advisor he had a gambling addiction, and had asked for gambling transactions to be limited. His overdraft facility at that point was £1,200.

Mr M made online applications for increases to his overdraft between April and June 2015. Some were accepted and some refused. By June 2015, Mr M's overdraft facility had gone up to £5,000. Mr M was unhappy about the charges, which were around £100 a month. He said he couldn't afford to repay his overdraft.

Halifax didn't accept it had lent irresponsibly. It replied that there had only been small, infrequent, gambling transactions before autumn 2014, when there were significant gambling transactions from October to December. The bank pointed out that Mr M had applied for the 2015 overdraft limit increases online, choosing not to discuss his requirements with a branch advisor. It said it didn't routinely monitor customers' transactions, and couldn't guarantee it would always refuse to lend.

Halifax explained that when Mr M made the 2015 applications for increases, he was still getting a monthly salary. And between April and June 2015, there'd been no gambling transactions going through his account. Mr M had used the extra overdraft facility to make different payments.

Halifax said it said it was sorry to hear of Mr M's financial difficulties, and asked him to contact its specialist team, to talk about his income and expenditure. The bank said it hadn't made an error, but it offered to help Mr M by refunding Mr M's overdraft fees from April 2015, totalling £1,386. This was on condition the overdraft facility was reduced to £3,700, and subject to written agreement by Mr M.

Mr M wasn't satisfied and complained to this service. He wanted Halifax to accept it had lent irresponsibly, stop interest accruing on his account, reduce his overdraft and restrict further lending.

The adjudicator didn't uphold Mr M's complaint. He thought Halifax's offer was fair. Mr M's current balance was just under £5,000, and Halifax's offer would reduce the balance significantly. The adjudicator looked at Mr M's statements from January to June 2015, and didn't agree that Halifax had been wrong to lend. Mr M had had a stable income and the gambling transactions weren't too excessive. The adjudicator thought the continuing applications should have flagged concerns, but considered Halifax's offer was fair.

Mr M wasn't satisfied. He said Halifax should never have let him increase his overdraft. He repeated that he had told Halifax he had a gambling addiction in February 2014. He said he'd put in multiple applications for an overdraft increase in a few days, which should have raised the alarm. He was also unhappy that he'd still be charged interest if he accepted the bank's offer.

my findings

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

Mr M's told us he went to Halifax in February 2014 about his gambling, and asked for lending to be restricted. I find it surprising there's no record of any agreement, and I'd have expected Mr M to have asked for some confirmation. But in any case, it was over a year later when Mr M made multiple applications to increase his overdraft, and large gambling transactions started to appear on his account. Whatever was agreed in February 2014, I wouldn't expect Halifax to have blocked all increases to Mr M's overdraft facility for an indefinite period.

In spring 2015, Mr M still had a regular monthly salary being paid in, and there was no record of a high level of gambling transactions. And there was no record on file of any agreement in February 2014 that Mr M would be refused further lending.

I can't look in detail at the computerised credit assessment which Halifax carried out – the bank was entitled to make its own commercial judgments, based on its credit-scoring process. Mr M is unhappy that decisions varied over a short period of time, and that sometimes smaller increase requests were refused and large ones accepted. I note that Mr M made the applications online, so he didn't see branch staff who might have questioned him further about a large number of applications within a short period. But on the basic facts, I find there was no obvious reason why an overdraft increase would be impossible.
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I've considered Halifax's offer to Mr M, which is to refund all overdraft fees from April 2015. This would reduce Mr M's overdraft balance by £1,386, leaving him with an overdraft balance of £3,613.88. The bank would also reduce Mr M's overdraft facility to £3,700. Mr M's told us he's now got some help for his gambling addition, and I find that the bank's offer is fair and reasonable, and gives Mr M a start towards putting his finances back on track

I recognise that Mr M wants his balance reduced to the April 2015 overdraft facility limit of £1,200. And he doesn't want to pay interest which he says would still be around £90 to £100 a month. But I don't agree that Halifax lent irresponsibly on the information I've seen. Mr M did have the use of the money he borrowed, and I consider Halifax's offer to be fair and reasonable. I leave it to Mr M to decide whether or not he wishes to accept it.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 January 2017.

Belinda Knight
ombudsman