

complaint

Mr M complained that Bank of Scotland plc, trading as Halifax, was irresponsible to lend him as much money as it did.

background

Mr M opened a credit card with Halifax in 2005. His credit limit was increased, and a significant balance built up. In summer 2015, Mr M complained to Halifax that the bank had:

- failed to assess affordability when he opened the account;
- deliberately got him into debt by increasing his limit;
- provided information about his late payments to the credit reference agencies, so he couldn't get new loans, new credit cards and new mortgage borrowing, as he wanted.

Halifax didn't uphold Mr M's complaint. It pointed out that banks only have to keep records for six years, so it didn't have records going back over ten years to the start of Mr M's account. But it said that Mr M's application would have been agreed using the lending criteria at the time, based on the bank's commercial judgment. Halifax also said that credit limit increases always took into account a customer's behaviour on the account, as well as external credit reference agencies. It said Mr M had been supplied with terms and conditions, and could always have chosen not to use the optional credit available.

Mr M wasn't satisfied and complained to this service. He said Halifax had increased his limit to £8,000, which was a large percentage of his income. He said the bank had ignored the debts he had elsewhere and Halifax was almost criminal to profiteer from him. He wanted all the interest refunded, going back to when his limit was increased above £5,300.

The adjudicator didn't agree that Halifax had done anything wrong. She accepted that Halifax had used credit scoring to assess Mr M's ability to repay, and she considered that an adequate check at the time. She also looked at Mr M's statements, where he'd made the minimum payments required, and hadn't reported financial difficulties, so there was no reason for the bank to have had concerns. Halifax no longer had the records to show whether Mr M's limit was increased because Mr M requested it, or the bank offered it, but the adjudicator considered that even if Halifax had offered it, Mr M could have opted out.

Mr M was very unhappy with this. He said it was wrong to say he had a choice about whether to use the credit, because that was like saying an alcoholic had a choice about whether to drink. He said he did ring Halifax to say he was having difficulties, and the three late payment markers on his credit record showed he couldn't manage credit. He said Halifax ignored numerous payments to gambling sites which should have flagged major concerns.

The adjudicator checked with Halifax, which said it wouldn't be aware of payments to gambling sites because they would show as entertainment, which could also include things like cinema or theatre purchases. Halifax has offered to put a block on gambling sites in future, if Mr M wants, though it pointed out that might not prevent all gambling transactions. The adjudicator also advised Mr M of possible ways and organisations to help if he was currently in financial difficulties.

Mr M didn't accept this. He said Halifax had lied again, about whether or not he'd told them about his financial difficulties. He asked if there was a legal obligation to do an affordability

check, saying Halifax couldn't have done one because his credit was awful, with debt much higher than his annual income.

my findings

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

Where the evidence is incomplete or contradictory, as some of it is here, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances. Here, Mr M said he told Halifax of his financial difficulties, but Halifax doesn't have any record of this until late in the timescale of Mr M's account.

If Mr M had asked Halifax for help because of his financial difficulties, I'd have expected there would be a record – either on the bank's system notes, or that Mr M might have had a copy of paperwork. He says that he told Halifax by phone, but I'd still have expected that such phone calls would have resulted in lots of paper – for example an income and expenditure form to fill in and return, as well as letters. And if he hadn't heard anything back from Halifax after making calls to report financial difficulties, I think it would have been reasonable to expect him to chase up Halifax until something happened. So I find it's more likely than not, that Mr M didn't tell Halifax he was in financial difficulties until very late.

I also don't expect Halifax automatically to have assumed that Mr M was in financial difficulties from the fact he was making minimum payments, or that there were three missed payments.

Looking at the credit limit increase, it's unfortunate that there isn't a record of whether Mr M asked for the increase or Halifax offered it. But, assuming Halifax offered it, I accept Halifax's statement that it was Mr M's choice – and responsibility – to decide whether or not to use the limit. He had the benefit of the money, so I can't find that he should have the interest on the money which he used refunded.

Mr M was unhappy because he believed Halifax should have considered his income compared to his debts, before offering the credit limit increase. A lender is entitled to make its own commercial decisions about lending, and Halifax was entitled to use its choice of a combination of credit scoring and a customer's existing records with the bank.

I note that, after the adjudicator's view, Mr M told us that some of the money had gone on gambling, so the increase in his debt was unavoidable. Help is available, and Halifax has offered to block gambling transactions. But I can't find that Halifax was at fault for not doing this in the past, when Mr M didn't tell it that he had a gambling problem.

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 25 January 2016.

Belinda Knight
ombudsman