

The complaint

Miss S complains that Bank of Scotland plc, trading as Halifax, irresponsibly provided her with a limit increase on her credit card account.

What happened

In December 2016, Halifax increased the limit on Miss S' credit card account from £3,200 to £3,700.

In 2023, Miss S complained to Halifax that it had lent to her irresponsibly in 2016, causing her financial difficulty and stress.

Halifax didn't uphold the complaint. It said it had carried out appropriate checks which would have showed Miss S could afford the credit she was provided with.

Unhappy with Halifax's response, Miss S complained to this service. Our investigator didn't recommend that Miss S' complaint should be upheld. They believed, in essence and on balance, that Miss S could afford the additional credit provided by Halifax.

Miss S didn't agree with the investigator's findings. She said she was showing signs of financial distress in the lead up to the credit limit increase (CLI), which Halifax ought to have become aware of. As such, the complaint was passed to me to review afresh and reach a decision.

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.

Having done so, I don't uphold this complaint. I'll explain why.

Halifax was required to complete proportionate affordability checks prior to advancing credit to Miss S. What's considered proportionate will vary in each case as it is unique to each lending decision. In deciding how thorough a check should be, Halifax needed to consider things such as (but not limited to) the amount of credit being advanced, the type of credit, the size and frequency of the repayments, the cost of the borrowing and Miss S' personal circumstances.

I can't say for sure what, if any, information Halifax did obtain since the evidence from the time's very limited. I think that's understandable since, as Halifax points out, several years have passed since its lending decision and so it no longer retains full details from that time.

With that in mind, I've looked very carefully at the information that's been provided by the parties to piece together, as best I can, the likely state of Miss S' financial situation both in December 2016 and the months leading up to that time.

To do so, I've placed emphasis on Miss S' bank statements from 2016 as provided by Halifax and Miss S to determine what any checks by Halifax would have shown.

I believe the information shows, among other things, that Miss S had a net monthly income of almost £1,900 on average and taking account of any bonuses she was being paid. Miss S' regular outgoings included what appear to be housing costs, regular bills, and additional direct debits. These left Miss S with around £1,200 a month remaining of her monthly income.

Miss S also had other lines of credit, with limits totalling around £17,000, and was utilising around £10,000 of that total limit. While I accept what Miss S says about this being a significant amount of credit, I believe sustainable payments towards it would still have left her with sufficient disposable income remaining.

Miss S points out she was regularly using her overdraft and says this should have indicated to Halifax that she was struggling with her finances. I can see that Miss S was regularly in her overdraft but also that there was a pattern of her clearing the overdraft in full and within a matter of days. I'm not persuaded this – or anything else in Miss S' circumstances in 2016 – necessarily suggested she was in difficulty such that an additional £500 of credit might have caused her undue financial strain.

Taking everything into account and, having thought very carefully about the points Miss S has raised, I don't consider Halifax acted unfairly in providing the additional credit to her when it did.

My final decision

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 11 April 2024.

Nimish Patel
Ombudsman