

## Complaint

Miss M has complained about a personal loan which she says Bank of Scotland Plc (trading as “Halifax”) unfairly lent to her.

She says that she believes this loan was determined by credit score ratings rather than her personal status and the level of borrowing was too high in relation to her income.

## Background

Miss M has also complained about an overdraft which Halifax provided to her. But we’ve already explained that we’re looking into that matter separately and this decision is solely looking at Halifax’s decision to provide Miss M with a loan.

Halifax provided Miss M with a loan for £10,000.00 in July 2020. This loan had an APR of 3.5% and the total amount to be repaid of £10,900.20, which included interest fees and charges of £900.20, was due to be repaid in 60 monthly instalments of £181.67.

One of our investigators reviewed what Miss M and Halifax had told us. He thought that Halifax hadn’t acted unfairly by providing this loans to Miss M and so didn’t think that the complaint should be upheld.

Miss M disagreed with our investigator’s assessment and asked for an ombudsman to review her complaint.

## My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss M’s complaint.

Having considered everything, I’ve not been persuaded to uphold Miss M’s complaint. I’ll explain why in a little more detail.

Halifax needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Halifax needed to carry out proportionate checks to be able to understand whether Miss M could afford to make her repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of

it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to provide loans to a customer irresponsibly.

Halifax says Miss M's loan application was approved after she provided details of her monthly income and some information on her expenditure. It says it cross-checked Miss M's declarations against information on a credit search it carried out.

In Halifax's view all of the information it gathered showed that Miss M could afford to make the repayments she was committing to. On the other hand, Miss M has said she that the loans were unaffordable.

I've carefully thought about what Miss M and Halifax have said.

It's clear that Halifax did obtain some information about Miss M before it decided to proceed with her applications. So it wasn't simply a case of Halifax accepting at face value that Miss M could repay this loan. And having cross-checked the information gathered against the information provide, it does appear to be the case that Miss M did not have much in the way of existing debt, at the time at least. Furthermore, I can't see any evidence of Miss M having any significant adverse information – such as defaulted accounts or county court judgments (“CCJ”) recorded against her either.

I accept that Miss M's actual circumstances may not have been fully reflected either in the information she provided, or the information Halifax obtained. I know Miss M says that she was in receipt of benefits. But she did declare that she was receiving £1,800.00 a month. And while Miss M may dispute this, I don't think that it was unreasonable to include these funds as being available to make payments going forward particularly given the credit balance Miss M's Halifax balance had at the time.

Furthermore, I would also point out that there is no prohibition on lending to a prospective borrower whose income is made up of benefits. On the contrary, it would be arbitrary for a lender to automatically decline an application solely on the basis that the borrower might have been receiving benefits.

It doesn't automatically follow that an individual cannot afford a loan simply because they are on benefits and, in my view, it wouldn't be fair and reasonable to act in such a way. Therefore, I don't think that Halifax automatically ought to have declined Miss M's application on the basis that benefits made up a proportion of her income.

I appreciate that Miss M's circumstances later a took a turn for the worse. She went on to take out further credit and then ended up defaulting on this loan in 2024. However, this was sometime after the lending decision. I think it's also worth me explaining that Halifax could only make a reasonable decision based on the information it had available at the time. It did not have the benefit of knowing what we now know did happen.

I don't think that Halifax could be expected to have known that Miss M would go on to obtain other credit elsewhere, the effect that this would have on her ability to make her repayments, or that it was inevitable that she would eventually default on this loan. Instead, I'm satisfied that information gathered and as well as everything else I've subsequently seen, from the time at least, all suggests that it was reasonable for Halifax to conclude that the monthly payments to this loan were affordable.

In reaching my conclusions, I've also considered whether the lending relationship between Halifax and Miss M might have been unfair to Miss M under section 140A of the Consumer Credit Act 1974 (“CCA”).

However, for the reasons I've explained, I don't think Halifax irresponsibly lent to Miss M or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

As this is the case, I cannot reasonably and do not uphold this complaint. I appreciate this is likely to be very disappointing for Miss M as its clear she feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 13 September 2024.

Jeshen Narayanan  
**Ombudsman**