

The complaint

Mr Y complains that Bank of Scotland plc trading as Halifax lent irresponsibly when it approved his credit card application with a limit of £13,000.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

On 7 February 2021 Mr Y applied for a credit card with Halifax. In his application, Mr Y said he was single and a homeowner without mortgage. Mr Y also said he was employed full time with an income of £89,100. Mr Y's application said he had £560 in housing costs each month.

Halifax carried out a credit search and says it found no evidence of missed payments or other adverse credit on Mr Y's credit file. Halifax says it found Mr Y had existing monthly repayments of £138 to other unsecured creditors.

Halifax applied its lending criteria to Mr Y's application and calculated he had an income of around £5,027 a month with outgoings totalling around £1,150 leaving around £3,850 as disposable income. Halifax also says it was able to verify Mr Y's income using information from the credit reference agencies although it hasn't been able to supply evidence.

Mr Y's told us he was pressured into taking out the credit card by an abusive ex partner. At the end of 2022 Mr Y began to fall into arrears with his Halifax credit card and it was ultimately closed.

Mr Y went on to raise a complaint with Halifax and it issued a final response. Halifax said it had processed Mr Y's application in line with its lending criteria and didn't agree it lent irresponsibly.

Mr Y referred his complaint to this service and it was passed to an investigator. In his complaint form, Mr Y pointed out he'd applied to both Halifax and another business that falls within the same banking group for credit cards at the same time. Mr Y says this should've shown Halifax he wasn't borrowing in a sustainable way. Mr Y also provided more details about his relationship and explained he'd been coerced into opening credit by his partner.

The investigator thought Halifax should've gone further when considering Mr Y's application and asked him to provide evidence of his circumstances at the time, like bank statements. The investigator was able to source Mr Y's bank statements from his banking provider. The investigator wasn't able to get a clear picture of Mr Y's circumstances by looking at his bank statements and asking him about regular payments he was receiving. The investigator didn't uphold Mr Y's complaint.

Mr Y asked to appeal and said that Halifax should've been aware he'd also applied to another part of the banking group (M) for a credit card at the same time. Mr Y pointed out both applications were approved with credit limits of £13,000 meaning he had access to new

credit of £26,000 in a 24 hour period. Mr Y also said that lending at that level should've involved a more thorough approach to his application by Halifax. Mr Y said that a payment of £5,000 he'd received in the weeks before his application to Halifax was made was from a short term lender I'll refer to as A. As Mr Y asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend, the rules say Halifax had to complete reasonable and proportionate checks to ensure Mr Y could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've considered the application information Halifax has provided and I agree with the investigator that there were grounds to complete a more comprehensive assessment of Mr Y's circumstances. Mr Y's declared income of £89,100 was reasonably high, especially when compared against the outgoing expenses of £560 he gave on the application. I also think it's reasonable to note Mr Y's application contained conflicting information. The application said Mr Y was a homeowner, without a mortgage, but he gave a housing figure of £560 a month as well. And, there were no other regular outgoing notes by Mr Y in the application which is unusual. In my view, a more comprehensive approach to Mr Y's application, like checking his bank statements, would've been reasonable.

Our investigator was able to source Mr Y's bank statements from his bank. I've looked at the months before February 2021 to get a better picture of his circumstances. I note our investigator asked Mr Y about payments he was receiving each month from a business I'll refer to as A. Mr Y suggested this may have been loan funds provided by A. But that doesn't look right to me. There are monthly credits that are reasonably consistent. The payments come from "A Management" and there's no evidence of any repayments being made to that business in any of the statements I saw. To me, it looks like the payments Mr Y was receiving were his income, not borrowing. But Mr Y has told us he's unable to recall what those payments were or provide any other comment on the transfers being made to and from the account.

Without a better understanding from Mr Y concerning what the payments into and out of his account represented, I can't make a firm finding on what Halifax would've found if they'd carried out better checks.

The data Halifax used included income of £5,027, housing costs of £560, unsecured credit commitments of £139 a month and an estimate of essential living expenses of £478. From

Halifax's perspective, that left Mr Y with around £3,850 in disposable income each month. In the absence of further detail, I'm satisfied that based on the estimate of Mr Y's disposable income, Halifax's decision to approve his credit card was reasonable. I haven't been persuaded it lent irresponsibly.

Mr Y's explained he made two applications on the same day to different parts of the same banking group. I recently went back to Halifax and asked it to confirm whether it was aware of Mr Y's other credit card application with M when it considered whether to proceed with its credit card. Halifax has confirmed it allows customers to hold multiple credit cards across the group. The credit card application with M was approved the day before Halifax looked at Mr Y's application. Halifax also confirmed it took the credit card with M into account when deciding whether to proceed and that both credit cards were affordable.

Given Halifax was working with a monthly disposable income figure of £3,850 at the time of Mr Y's application I'm satisfied it found he did have capacity to afford the new Halifax credit card in addition to another credit card with a credit limit of £13,000. I haven't been persuaded Halifax lent irresponsibly.

Mr Y's told us he was pressured into opening the credit card by an abusive ex partner. I'm sorry to hear about the difficulties Mr Y has experienced and don't doubt how upsetting the situation must have been for him. I need to consider whether there was any way Halifax would've been aware of Mr Y's situation. But the details provided in the application were reasonable when compared to the type and amount of credit Mr Y was applying for. Halifax has advised that Mr Y didn't contact it to discuss the circumstances under which his credit card application was made. I've looked at Halifax's contact notes and the earliest point I was able to see that Mr Y raised this concern was when he complained, after the credit card was closed. I'm very sorry to disappoint Mr Y but I haven't been persuaded Halifax could've reasonably been aware of the circumstances he's told us about or that it treated him unfairly.

Whilst I think Halifax's lending checks should've gone further, for the reasons I've noted above, I haven't been persuaded that Halifax lent irresponsibly or treated Mr Y unfairly.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Halifax lent irresponsibly to Mr Y or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I invited both parties to respond with any additional information or comments they wanted me to consider before I made my final decision. Halifax responded to confirm it had nothing further to add. We didn't hear back from Mr Y.

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.

As neither party has provided new information for me to consider I see no reason to change the conclusions I reached in the provisional decision. I still think Halifax's decision to approve Mr Y's credit card application was reasonable overall, for the same reasons.

My final decision

My decision is that I don't uphold Mr Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 14 January 2025.

Marco Manente
Ombudsman