

## **The complaint**

Mr M complains that Bank of Scotland plc trading as Halifax lent irresponsibly when it approved a loan application he made.

## **What happened**

Mr M applied for a loan with Halifax in November 2018. In his application, Mr M said he was employed with a monthly income of £1,500. Mr M said he had rent of £227 a month. Halifax carried out a credit search and found Mr M had two loans that came to £451 each month. Halifax applied estimated essential living costs of £374 to the application and, based on the information it found, noted Mr M had a disposable income of around £448 each month.

Halifax says it applied its lending criteria to Mr M's application and approved a loan for £9,400 with monthly repayments of £193.54.

Last year, Mr M complained that Halifax lent irresponsibly when it approved his loan application in 2018. Halifax issued a final response on 24 January 2024 but didn't uphold Mr M's complaint. Halifax said it had carried out the relevant checks and considered Mr M's circumstances before deciding whether to proceed.

Mr M referred his complaint to this service and it was passed to an investigator. They weren't persuaded that Halifax had lent irresponsibly and didn't uphold Mr M's complaint. Mr M asked to appeal and said he was barely earning £700 a month working part time and was on a zero hours contract earlier in the year. Mr M also highlighted his existing commitments at the time of his application and said further borrowing wasn't affordable. As Mr M asked to appeal, his complaint has been passed to me to make 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.

Before agreeing to lend, the rules say Halifax had to complete reasonable and proportionate checks to ensure Mr M 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 information Halifax had available when Mr M applied. As I've noted above, there's no set list of checks a lender has to complete. And there's no requirement for a lender to request evidence to verify income or copies of bank statements before approving a loan unless information arises that may indicate the borrowing isn't sustainable. Here, Halifax has confirmed it took Mr M's declared income of £1,500 a month into account. In response to the investigator, Mr M said his income at the time was barely £700. But I'm not persuaded the level of income Mr M declared was unreasonable or unrealistically high to the point I'd have expected Halifax to seek further evidence from him to verify what he said.

I also think it's fair to say that Mr M has supplied us with copies of his bank statements which show a higher income than £700 a month. In August 2018, Mr M earned £1,455, in September 2018 it was £932 and in October 2018 he earned £1,199.

Halifax took the rent figure of £227 Mr M gave on board and applied estimated living costs of £374 each month. I can see that Halifax carried out a credit search and found both existing loans Mr M already had and factored the repayments into its lending assessment. Based on the information Mr M provided and the details found on his credit file, Halifax found Mr M had around £448 surplus income to make repayments of £193.54 on a new loan.

Whilst I can see Mr M did have two loans at the point of application, I'm satisfied the cost of servicing them was considered by Halifax. With that said, Halifax notes Mr M had some historic defaults on his credit file and I note one of his existing loans was only around six months old at the point of application. So I think some further checks would've been reasonable before approving the loan.

I've reviewed the bank statements Mr M has provided, which were available to Halifax. They show Halifax was using a reasonably accurate set of figures to base its lending decision on. On average in the three months before he made the application, Mr M earned £1,195. And Mr M's average costs for paying his existing loans and phone bill (which were the only regular bills I found) came to £506.12. Adding the rent Mr M was paying of around £200 a month, Mr M had committed costs of around £706. That meant Mr M would've had around £490 in disposable income remaining.

I'm satisfied that Mr M's bank statements show he had capacity to sustainably afford the loan repayments of £193.54 with Halifax. So even if Halifax had checked Mr M's bank statements, I'm satisfied it would still most likely have approved his loan application in November 2018.

I'm very sorry to disappoint Mr M but as I haven't been persuaded that Halifax lent irresponsibly, I'm unable to uphold his complaint.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 23 May 2024.

Marco Manente  
**Ombudsman**