

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

In January 2023 Mr M applied online for a £25,000 loan with Halifax to buy a car. In his application, Mr M said he was employed with an income of £24,000 a year and was a tenant with rent of £350 a month. Halifax says it carried out a credit search but didn't find any other outstanding credit in Mr M's name. Halifax applied regular estimated living costs of £562 a month. Halifax says that, based on the information it was given, Mr M had around £735 a month as surplus income.

Halifax approved a £25,000 loan with monthly repayments of £432 over a six year term and the funds were released to Mr M.

Mr M's explained that he was a victim of an investment scam which led to him transferring the funds he borrowed to fraudsters.

Representatives acting for Mr M complained to Halifax and it issued a final response. Halifax said it had carried out the relevant checks when looking at Mr M's loan application and didn't agree it had lent irresponsibly.

An investigator at this service looked at Mr M's complaint. They weren't persuaded Halifax had lent irresponsibly and didn't uphold Mr M's complaint. Mr M's representatives asked to appeal and said Mr M's rent and council tax exceeded the outgoings figure Halifax had used. The representatives added that due to the size of the loan, when compared to Mr M's income, it would've expected Halifax to carry out more checks. Mr M's representatives also gave information about the scam he's been a victim of. As Mr M's representatives 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

In response to the investigator, Mr M's representatives said they thought Halifax should've done more to check whether he could afford to repay the loan. I can see the investigator's findings explain they also felt Halifax should've completed more comprehensive checks, like checking Mr M's income. I agree that a loan of £25,000 against a declared income of £24,000 ought to have led to some further checks by Halifax.

As I've said above, there's no set list of checks a lender has to carry out. But Halifax has provided copies of Mr M's bank statements from the period immediately preceding his application. Mr M's income can be seen and in various months it's somewhat higher than the figure provided in the application. In addition, Mr M's outgoings can be seen on his bank statements. I note the financial statement Mr M's representatives have supplied. But there are several outgoings on that financial statement that don't appear on Mr M's bank statements. Looking at the evidence of how Mr M's account was used, I think the outgoings figure Halifax noted was reasonable.

Based on the information I've seen, even if Halifax had obtained further evidence from Mr M I still think it would've proceeded with his loan application. In my view, the loan appeared to be affordable based on the information Mr M gave in his application, what Halifax found when it carried out lending checks and the evidence on his bank statements. I'm sorry to disappoint Mr M but as I haven't been persuaded that Halifax lent irresponsibly, I'm not telling it to do anything else.

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 15 January 2024.

Marco Manente
Ombudsman