

The complaint

Miss B complains that Bank of Scotland Plc (“BoS”) irresponsibly gave her a credit card account she couldn’t afford.

What happened

In August 2019, Miss B applied for and was granted a credit card account with BoS with a credit limit of £2,900. There were no credit limit increases after that.

The card was closed in December 2021 after going into default.

Miss B complained to BoS, saying that she shouldn’t have been given the account and that BoS ought to have made a better effort to understand her financial circumstances.

Our adjudicator didn’t recommend the complaint be upheld. Since Miss B didn’t agree, the complaint has been passed to me to decide.

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.

BoS will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Did BoS complete reasonable and proportionate checks to satisfy itself that Miss B would be able to repay the credit in a sustainable way?

Miss B’s complaint is that BoS provided her with a level of credit that was unaffordable. BoS has explained it carried out a credit check using the information Miss B provided on her application as well as information obtained from a credit reference agency. It was then able to work out what credit it was able to offer.

Before granting the account, BoS looked into Miss B’s financial situation, including the way she was managing her existing credit. I’ve seen that Miss B told BoS she had a monthly income from her work of £30,000 and was a private tenant. She also set out on her application details about her typical monthly outgoings in terms of housing costs and other regular financial commitments. From the credit check it carried out, BoS also would likely have seen that Miss B had a good credit history.

I agree with our adjudicator that BoS could have carried out better checks before granting the credit and that, given the relatively generous opening credit limit, one way to do this would have been to verify Miss B’s income so as to ensure that she’d be able to make monthly sustainable repayments. I think sustainability is particularly relevant given that Miss

B went on to use £2,250 of her available credit for a balance transfer. Whilst this may have been at a promotional rate, that would only have been available to Miss B for a specified period. Whilst I've seen that BoS asked Miss B to provide details about her regular expenditure, I think better and more proportionate checks would have enabled BoS to gain a more thorough understanding of Miss B's financial circumstances before agreeing to open the account and then allow Miss B to immediately use a substantial amount of the available credit limit.

What would proportionate checks have shown?

I see our adjudicator asked Miss B for some further details and evidence about her financial circumstances at the relevant time. Miss B has sent us bank statements from the two main accounts she was using for the four months before the account was opened. Our adjudicator worked out that during this period Miss B was earning a net average monthly income of around £1,950. I agree that, broadly speaking, based on the statements and the figures Miss B set out in her application, Miss B would have been left with around £550-600 in disposable income each month. I say that taking into account the existing monthly commitments she already had of around £680 plus her housing costs of £550.

I think all this demonstrates that at the time Miss B appears to have had enough disposable income available each month to make regular, sustainable repayments towards her new credit facility. I say this factoring in that sustainable monthly repayments on her card of, say 5% of her outstanding balance after her promotional balance transfer rate had ended, would mean a monthly repayment of around £150. This would likely leave her with at least £400, out of which she would be able to meet other essential costs and still be left with disposable income for incidental expenses. Had BoS therefore completed proportionate checks before granting the credit, I think it's likely it would have discovered this too. It therefore didn't act unfairly by opening the account for Miss B with the level of credit it granted her.

Having looked carefully at all the available evidence and information, I don't think I've seen enough to show or suggest that Miss B's card agreement with BoS was unaffordable. So I can't reasonably conclude that BoS ought to have known she might struggle to make the repayments. I'm therefore not persuaded that BoS acted unfairly in approving her for the card with the limit it gave her. It follows that I don't think it needs to do anything more to put things right.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 1 August 2023.

Michael Goldberg
Ombudsman