

## The complaint

Mr S complained about the interest charged on his credit card with Bank of Scotland plc, trading as Halifax. He said that over the years, he'd paid more in interest than the balance of the account.

Mr S wants Halifax to:

- repay him all the interest charged since 2009;
- write off the outstanding balance; and
- close the account.

## What happened

Mr S had a Halifax credit card. In 2009 he was notified of an increase in the interest rate. Mr S didn't want the higher rate, so he closed the account in February 2010. There was an outstanding balance of around £11,000, on which interest continued to be charged. Mr S paid around the minimum payment each month.

In 2018, the regulator, the Financial Conduct Authority, introduced new rules about "*persistent debt*." Persistent debt is when a consumer has paid more in interest, fees and charges than they've repaid towards the capital they owe, over the previous 18 months. The reason the FCA introduced the new rules was that it had found many consumers unwilling or unable to repay debt within a reasonable period of time. So it set rules to get lenders to take an escalating set of steps to encourage customers to repay debt more quickly, and avoid getting into persistent debt in the first place.

So, when the new rules came into effect, credit card lenders wrote to consumers. The letters said told the consumer they'd paid more in interest, charges and fees in the past 18 months than they'd paid off. They explained that increasing payments would reduce the cost of borrowing, and mean the balance would be paid off faster. Customers were encouraged to get in touch to talk about their financial circumstances, and whether they could increase payments without an adverse effect on their finances. There was a warning about being in debt for longer, and information on free debt counselling services.

There's a disagreement about whether Halifax sent persistent debt letters to Mr S. Halifax said it did. Mr S said he "*was not aware of persistent debt communication*" and "*had no record of most of the correspondence*" Halifax said it had sent.

In April 2020, Mr S complained to Halifax. He said Halifax should have offered a low or zero rate of interest, and hadn't suggested a way of repaying the balance. He said Halifax was obliged to act reasonably, and he believed that continuing to charge interest on the outstanding balance without communicating alternatives breached this obligation. Mr S asked Halifax to pay back all interest it had charged in the last ten years, reduce the balance to zero and close the account.

Halifax didn't uphold Mr S's complaint. It said that it wouldn't contact a customer unless they made Halifax aware that they were struggling with their finances. As Mr S hadn't contacted

Halifax, it had continued to operate his account as normal. So it refused to refund interest. But Halifax applied a two month interest waiver, to allow Mr S to explore options, and it provided contact details for Mr S to get in touch to discuss his finances.

Mr S wasn't satisfied and complained to this service. He said it wasn't fair that the balance was still about the same as it had been in 2009, and he'd paid more in interest than the £11,000 balance. He said Halifax hadn't acted fairly or reasonably. He wanted Halifax to repay all interest he'd paid since the card had been closed, and the account balance reduced to zero and closed.

Our investigator didn't uphold Mr S's complaint. She spoke to Mr S and asked whether his financial situation had changed since he opened the account. Mr S said that was private information which this service didn't need to know. The investigator looked at copies of Mr S's statements, showing that he'd been paying the minimum payments each month for some time. The statements from March 2020 quoted recommended payments Mr S would need to make to clear his balance within 48 months.. And she accepted that Halifax had sent letters about only making the minimum payments, from April 2016 to October 2017, which were before the new FCA rules came in. And after the new rules came in, Halifax had written in April 2018, October 2018, April 2019, and October 2019, about Mr S having made between 30 and 48 consecutive minimum payments.

Halifax had also offered contact details to get in touch if payments were difficult, and information about free debt counselling services. The investigator said that Halifax had followed the FCA guidelines about persistent debt.

Mr S didn't agree. He said he wasn't aware of persistent debt communication, and there was little point in Halifax simply suggesting higher payments would reduce the balance more quickly. He said every company produces monthly statements, and for that to be part of Halifax's defence was laughable. He said Halifax should have contacted him many years earlier to offer low interest, acceptable payments.

### **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.

I've looked at the FCA rules regarding persistent debt, and the actions and letters sent by Halifax. I recognise that Mr S has said he "*wasn't aware of persistent debt communication*", and "*had no record of*" most of Halifax's correspondence. But all that's required is that correspondence is sent, and from the bank's records I accept that Halifax did send the required persistent debt letters to Mr S. I've looked at what was included, and I find that Halifax met the requirements.

Lenders are not required, as Mr S believes, actively to contact customers to offer "*low interest and acceptable payment plans*." Lenders are required to act fairly when a customer reports financial difficulties. But Mr S didn't report any financial difficulties to Halifax between 2010 and his complaint in April 2020. And he didn't contact Halifax's collections team, to provide evidence of financial difficulties, after the bank's final response letter provided him with contact details. I recognise that Mr S didn't want to provide this service with his financial information, and of course he's entitled to keep that private. But without evidence of financial difficulties, and completing income and expenditure information, there was no obligation on Halifax to provide him with any special help.

Mr S believes that the fact that he still owes Halifax about the same as he did in 2010, means that Halifax should repay him all the interest and write off his debt. But there is

nothing in the rules that requires this. Mr S was paying the minimum payment and didn't report any financial difficulties or problems making the payments. And I've found that Halifax met the requirements of the persistent debt rules. So I don't require Halifax to do anything more.

**My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 January 2021.

Belinda Knight  
**Ombudsman**