

The complaint

Mrs K complains that Bank of Scotland plc trading as Halifax (Halifax) marked her loan as in default.

What happened

Mrs K took a loan of £15,000 from Halifax in February 2019. Interest was 11.4% APR and monthly repayments were £324.97. The payments were made in March 2019, April 2019, and May 2019. In June 2019, the direct debit was unpaid, and no payments were made until three manual payments of £424.97 were made in August 2019, October 2019, and November 2019. The loan was defaulted and passed to debt collectors in April 2020 – the balance was £13,269.49. On 15 October 2019, Halifax sent to Mrs K a redemption letter and on 23 December 2019, they sent a further redemption letter.

Mrs K complained. She said the default wasn't fair – as she was in the process of arranging a remortgage – which would repay Halifax's loan. She'd asked for a redemption statement in September 2019 but this hadn't arrived. She said she had to call Halifax repeatedly to ask for it again. When it was sent in December 2019 – it was sent in the post rather than electronically. So, it was delayed again, and Mrs K said it wasn't received until 8 January 2020. This meant the remortgage was delayed. And by the time the application was lodged with the new lender, the pandemic occurred – which then meant it was delayed further. As a result, the loan with Halifax was defaulted – and she said this was the fault of Halifax in not sending to her the redemption statement as she'd requested. She spent hours trying to get through to Halifax on the phone during the pandemic to try to discuss her situation. She couldn't now get a mortgage because of the default on her credit file. She said she wanted the default removed.

Halifax said they should've sent the early settlement letter to Mrs K's online mailbox in December 2019 but they sent it in the post instead. For that, they apologised and paid compensation of £50. They said they sent an early settlement letter to Mrs K in October 2019. They couldn't find any evidence that Mrs K asked for a further early settlement letter between October 2019 and December 2019. Halifax said the default on her loan had been applied correctly and couldn't be removed from her credit file. Halifax had given Mrs K many 'breathing space holds' on her loan repayments to allow time for the remortgage to take place. When Mrs K spoke to Halifax on 3 March 2020, a final 30-day hold was agreed. When they didn't hear anymore from Mrs K, the loan was closed and transferred to their recoveries team. A default was registered on her credit file.

Mrs K brought her complaint to us. Our investigator said Halifax acted reasonably. Halifax had sent two early settlement letters to Mrs K – in October 2019 and December 2019. While they weren't sent to Mrs K's online mailbox, they had been sent to her address. And that gave her sufficient time to arrange the remortgage – before the pandemic took hold in March 2020. Halifax had sent letters to Mrs K in January 2020 and in March 2020 – to say that arrears needed to be paid or a default would be applied. Mrs K spoke to Halifax on 8 March 2020 – when a further 30-day hold was agreed. But Mrs K didn't then get back in touch with Halifax when that ended in April 2020.

Mrs K asked that an ombudsman look at her complaint.

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.

Mrs K took a loan from Halifax in February 2019 – for £15,000. I can see she was in financial difficulty soon after that – as she only made three monthly payments to the loan through until May 2019. Thereafter, payments stopped until three more manual payments were made later in the year. From when the loan was drawn in February 2019 though to April 2020, Mrs K made six payments. So, it was clear she was in financial difficulty throughout the period.

Mrs K intended to arrange a remortgage to repay her debts, including the Halifax loan. She asked for an early settlement letter in September 2019 and says she didn't get that. She said she called Halifax many times after that and eventually they agreed to send an early settlement letter on 23 December 2019. Mrs K says that because of the delays, her remortgage fell through – as by the time she submitted everything to her new lenders, the pandemic occurred and it couldn't be arranged because of that.

I've looked at what happened. I can see that Halifax sent an early settlement letter to Mrs K's address on 15 October 2019. Mrs K says she didn't get it and had to call Halifax many times to arrange another one. I've seen Halifax's records and they don't record that Mrs K called them during that period. Mrs K then asked for another letter on 23 December 2019 – and asked for it to be sent to her Halifax online mailbox. But it was sent in the post instead and didn't reach her until around 8 January 2020 – she says this caused a further delay. For the fact that Halifax sent it in the post, they apologised and paid compensation of £50.

Mrs K says that she called Halifax many times between September 2019 and December 2019 – to chase the redemption letter. Halifax have said they don't have any record of those calls – and I've seen their records which confirm what they've said. We asked Mrs K for evidence of her calls, but unfortunately, she hasn't provided anything.

I've considered whether it's reasonable to say that if it's accepted that there was a delay in receiving the redemption letter until 8 January 2020 – that it would've delayed the remortgage as Mrs K says it did. The pandemic affected the UK from 23 March 2020 – when the first lockdown was announced. That gave Mrs K's lender two and a half months to arrange the remortgage. And three months until the end of the 30-day hold arranged on 8 March 2020. I noted that on Mrs K's call to Halifax on 23 December 2019, she said it should be completed within three weeks. And in January 2020, Mrs K called Halifax to say that the paperwork had been submitted to the mortgage lender and a decision was expected within 30 days' time from then. So – Mrs K expected the remortgage to be completed well before the lockdown happened later in March 2020. And I think that was a reasonable assumption to make. Clearly, I don't know what the approval processes were at Mrs K's new lender, but I think that more than two months was a reasonable time for it to be completed.

We don't know why the remortgage didn't happen. But it's fair to say that a lender may decline an application for a remortgage for several reasons – for example, loan to value ratio being too high, insufficient income/affordability, or suitability of the mortgage term. Mrs K hasn't provided any evidence from the lender which says why the remortgage didn't take place.

Halifax agreed several '30 day holds' – in June 2019, October 2019, November 2019, December 2019, January 2020, and March 2020. I can see that no interest was charged on the loan from June 2019. So – Halifax did try to support and help Mrs K. When Mrs K called

Halifax on 8 March 2020 – a further 30-day hold was agreed. I've listened to this call, and the call handler asked Mrs K to diarise and come back to Halifax after 30 days to let them know the position. But – Halifax's records show that she didn't contact Halifax again.

The call handler told Mrs K to ignore any 'regulatory' letters. Halifax sent Mrs K a notice of arrears on 3 March 2020 – which said the arrears of £1,922.96 should be paid. On 15 April 2020, Halifax wrote to Mrs K to say the debt had defaulted and the full balance was due for repayment. The letter said the debt may be passed to a debt collection agency to collect the debt. So, I considered whether Halifax acted fairly here – because Mrs K was told to ignore regulatory letters. But equally, she hadn't contacted Halifax at the end of the 30 day hold as they'd asked. Nor had any money been paid to the loan. So even if Halifax had, for example, delayed any action for a further month, I'm not persuaded that the outcome would've been any different – other than the default would've occurred a month later.

I can see that Mrs K feels strongly about her complaint and therefore will be disappointed by my decision. But in the circumstances of her case, I think Halifax acted reasonably, and I won't be asking them to do anymore here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 3 May 2022.

Martin Lord
Ombudsman