

The complaint

Mr B complains that Bank of Scotland plc trading as Halifax made his account dormant shortly after reactivating his account despite him providing identification.

What happened

Mr B has an account with Halifax which he has held for a number of years, however, due to inactivity, the account became dormant. To make the account active again, Mr B visited a branch of Halifax with identification, which Halifax accepted and they made the account active.

Mr B says that not long after his account had been made active, his card declined in a shop when he attempted to make a purchase. Halifax informed Mr B that he needed to visit a branch with identification again. Mr B visited the branch, but as his passport had been sent to a third party company for another purpose, Halifax did not accept the identification that Mr B brought into the branch.

Mr B says that since 1 October 2020, his account had been frozen and he didn't access to his money for food, fuel, living expenses and his work. He said he had just started his sole trader business and he was still waiting to hear if his client had paid his first invoice.

Mr B made a complaint to Halifax who upheld his complaint. They said that his account had become dormant again as the identification he had provided had been rejected. They said that they believed when he first visited the branch with his identification, the correct process hadn't been followed. So while the account had been activated, it was later made dormant by human error.

Halifax explained that they couldn't keep his documents in branch, so they had destroyed them confidentially. Halifax offered £250 compensation, but Mr B rejected this and brought his complaint to our service. He said as he was on a very low income in October 2020, he suffered from malnutrition and stress. Mr B was able to reactivate his account on 11 November 2020, after he had received his identification back from the third party.

Our investigator said he had considered what Mr B had said about the matter being a burden that kept him on a very low income and severe malnutrition in October 2020. Halifax told our service that they have no record of him contacting them to advise them he was suffering with malnutrition because of their error. And they said that if he had discussed his situation with them, as it was their error, they would have done what they could to help him.

Our investigator said the £250 already offered to Mr B by Halifax for distress and inconvenience in this case was fair and reasonable. And, it is in line with what this service would recommend in the circumstances. Mr B asked for an Ombudsman to review his complaint. He said Halifax were made fully aware of his circumstances at the time and they didn't care.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

At the outset I'd like to emphasise that this service is not the regulator. Nor do we act as the enforcer for the regulator. The regulator is the Financial Conduct Authority. Our service acts as an informal dispute resolution service for complaints about financial businesses. We look at the circumstances of individual complaints and, on a case by case basis, taking into account relevant industry guidance for example, make findings about whether a financial business has failed its customer in any way. Where we find it has, we make awards designed to make the business put things right with the complainant customer. Our awards are not designed to punish a business or to make it change the way it acts in order to protect other customers in the future. That is the role of the regulator.

Both parties agree that Halifax made an error by initially activating the account and then making it dormant again. But both parties don't agree on whether Halifax were made aware of Mr B's personal circumstances during the time the account was made dormant again. When it comes to complaints where it's one word against another, I have to consider the evidence available to me. I then have to weigh the evidence against the balance of probabilities, that is, what's more likely to have happened in the circumstances. Having done so here, I'm not persuaded that Halifax specifically knew that Mr B was suffering from malnutrition in October and I'll explain why.

I can see that Mr B wrote to Halifax in early October and while he does tell Halifax that he spent a long time on the complaint which is time he could have spent working, he doesn't tell them that he is suffering from malnutrition. I accept that this was shortly after his account was made dormant, so it's probable that he wasn't suffering from malnutrition at this point.

So I've looked at Halifax's system notes during the period of when Mr B's account was made dormant again. But there are no notes to suggest that Mr B rang them or visited the branch to explain his personal situation. As Mr B wrote in his letter in early October, he was expecting his first client to pay his first invoice. So I think on the balance of probabilities, Halifax would have expected this money to go towards Mr B making his essential outgoings and any money he may have from his business which was due.

I say this as the terms and conditions of his account does not allow the use of his personal account being used as a business account. So Mr B would have needed the money from this invoice to have been paid into either a separate business account or to receive cash – neither of these should be affected by Halifax making his personal account dormant.

But it may be that the money from this invoice (and any other outstanding invoices, if any) may not have been enough to meet all of his outgoings. I can also see that Mr B made a cash deposit of £720 just days before Halifax blocked his account again. So it's probable that Mr B would be reliant on at least some of this money – if not all of it to meet his outgoings. So while it may be obvious to Mr B that blocking his account would have a detrimental impact on him and his standard of living, I can't say that Halifax were aware of the level of impact this would have had on Mr B, or that they were aware he was suffering from malnutrition.

There's no doubt that the events here would have had an impact on Mr B. I can understand how embarrassing it must have felt when his card declined in the shop and he found out his account was dormant again after him being able to use his account for several weeks after it had been made active. So it's only fair for Halifax to pay Mr B compensation for the impact their errors would have had on Mr B.

So I've thought about the £250 compensation that Halifax has offered Mr B. Compensation is a discretionary remedy that we sometimes award if we feel that a business has acted wrongfully and therefore caused distress and inconvenience to their customer over and above that which naturally flows from the event. When we recommend compensation, it is often modest and within our established guidelines.

I've noted the strength of feeling that Mr B has that the compensation he received is too low based on his personal circumstances at the time, and I've read all that Mr B has said about this. I know Mr B will disagree with me, but I'm persuaded that the level of compensation that Halifax offered was fair.

I say this as Halifax's compensation is in line with what I broadly could have awarded him based on his personal circumstances at the time if Halifax had not upheld his complaint. While he was not able to use his account for over a month, this was largely due to his passport being with a third party. So I'm not persuaded it would be fair to hold Halifax responsible for all of the time it took for the dormancy block to be removed – even if they had made the error in the first place - as I can see that when Mr B provided the identification which was required by Halifax, then the block was removed by the following day.

So I'm persuaded that the £250 Halifax offered him was reasonable based on him waiting for the account to be made active again. Although they were responsible for the error which had an impact on Mr B, they weren't responsible for the delays in the time it took for the third party to send back Mr B's identification. So it follows, I intend to ask Halifax to pay Mr B the £250 compensation they have already offered him."

I invited both parties to let me have any further submissions before I reached a final decision. Halifax accepted the provisional decision. Mr B did not respond to the provisional 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.

As neither party have provided me with any further information to consider, then my final decision and reasoning remains the same as in my provisional decision.

My final decision

Bank of Scotland plc trading as Halifax has already made an offer to pay £250 to settle the complaint and I think this offer is fair in all the circumstances.

So my final decision is that Bank of Scotland plc trading as Halifax should pay Mr B £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 April 2022.

Gregory Sloanes
Ombudsman