

The complaint and background

Ms N complained to Halifax about her overdraft facility. She said Halifax hadn't treated her fairly. She was unhappy with the charges and interest added to her account and that Halifax had closed and defaulted her account. Ms N says that Halifax told her it would reopen her account but then did not do as it had promised. Halifax agreed that it could have done more to help Ms N with her account, and offered to refund all the charges and interest she had incurred since August 2019, backdate the default on Ms N's account to October 2019, and pay Ms N £150 to recognise any stress and inconvenience caused to her. Ms N remained unhappy, so she referred the complaint to our service.

Ms N's complaint was considered by one of our adjudicators. She thought that Halifax should have realised that Ms N was struggling financially by May 2015. So she recommended that Halifax refund any fees or interest incurred after May 2015 and backdate the default so it reflected what would have happened if Halifax had started taking action regarding Ms N's account in May 2015. Halifax agreed with the adjudicator's findings and made an offer in line with what she had recommended.

The adjudicator then went on to also explain that Halifax had not acted unreasonably in closing Ms N's account, and that she could see nothing to suggest that Ms N had been told her account would be reopened.

Ms N remained unhappy, she maintained that Halifax had told her it would reopen her account and that it was unfair that her account had been closed, so her complaint was referred to me for 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.

Having carefully considered everything provided, I agree with our adjudicator's findings that Halifax acted unfairly when it continued charging overdraft fees from May 2015. Halifax has already agreed to refund these charges to Ms N's account to reduce the outstanding balance, pay any excess to Ms N with 8% interest, and backdate the default it recorded to reflect what would have happened if it started taking action regarding Ms N's account in May 2015. In practice, this means that the default will be removed from Ms N's credit file. Halifax has also confirmed that its offer to pay Ms N £150 compensation is still open to her to accept.

Regarding the closure of Ms N's account, I don't think it was unreasonable for Halifax to take this step. I can see that Halifax sent Ms N correspondence explaining what it intended to do, and while I acknowledge that she's said she didn't receive some of this correspondence as she was living elsewhere, there's no evidence to show that Halifax was told about any change of address. And closing an account is one of the steps we would expect a bank to consider when it becomes clear that an overdraft debt is becoming unsustainable.

I also haven't seen any evidence to show that Ms N was told her account would be reopened. What I can see is notes setting out that she was told her account would be recalled from the debt collection agency it had been passed to, and that she would be sent a welcome pack from the priority team, who she would then be able to agree a repayment plan with.

With all of this in mind, I'm satisfied that Halifax hasn't acted inappropriately regarding the closure of Ms N's account and that what it has already agreed to do regarding Ms N's overdraft charges is an appropriate way to resolve this complaint.

Putting things right

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Ms N's complaint for Halifax to put things right by:

- Reworking Ms N's current overdraft balance so that all interest, fees and charges applied to it from 28 May 2015 are removed.
- As this will clear the outstanding balance of Ms N's account, any extra should be treated as overpayments and returned to Ms N along with 8% simple interest† on the overpayments from the date they were made until the date of settlement.
- Halifax should also backdate any adverse information on Ms N's credit file to reflect what would have happened if it had started taking action to assist her in May 2015.
- Halifax should pay Ms N the £150 compensation it has offered for any distress and inconvenience caused to her.

† HM Revenue & Customs requires Halifax to take off tax from this interest. Halifax must give Ms N a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained, I'm upholding Ms N's complaint. Bank of Scotland Plc (trading as Halifax) should put things right in the way I've set out above, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 21 April 2022.

Sophie Mitchell
Ombudsman