

The complaint

Mr K feels that Bank of Scotland Plc (trading as Halifax) didn't treat him fairly when defaulting his account. He thinks the default should be removed from his credit file.

What happened

Mr K held a current account with Halifax that was overdrawn. In September 2019 he spoke with Halifax and explained that he was struggling with his finances, so Halifax agreed to put in place a plan for him to gradually reduce his overdraft over the next few months. Mr K didn't make any payments into his account following that conversation, so on 28 December 2019 Halifax wrote to Mr K to say that his account was over its arranged limit and that he needed to make a payment to bring the account back within the arranged limit or Halifax would take steps to close the account and pass it to the recoveries department. At that time Mr K's account was overdrawn by £1,031.76.

Mr K says he believed his arranged overdraft limit was £1,000, so he made a payment of £31.76 into the account. As he thought he had brought the account back within its limit, he was surprised when the account was then closed.

Mr K received another letter from Halifax in March 2021 in which Halifax explained that it had been reviewing Mr K's account and had determined that it hadn't always taken the appropriate action when dealing with his account between December 2018 and when the account was closed in February 2020. As a result, Halifax said it would refund to him the charges he had incurred during that time, and so it reduced the outstanding balance he still owed by £58.10.

The prompted Mr K to complain, and he contacted Halifax to say that he didn't think it had acted fairly when defaulting his account as he had made the payment requested but his account had still been closed. Mr K also raised a dispute about the default with the credit reference agencies, and this dispute was apparently upheld by Transunion, who said they felt the default should be removed.

Halifax looked at Mr K's complaint, but it didn't think it had done anything wrong. Halifax said that, on 3 December 2019, it had written to Mr K to say that his overdraft limit had reduced to £945 – this was part of the reducing overdraft repayment plan that had been agreed between Mr K and Halifax on the phone – and so when it asked him to bring his account back within the limit on 28 December 2019 he actually needed to pay £86.76 to avoid the account being closed. Halifax also pointed out that this amount was detailed on the 28 December 2019 letter it sent to Mr K.

As Halifax felt it had correctly defaulted Mr K's account, it didn't agree that it should remove the default from his credit file, regardless of what Transunion said.

Halifax did though acknowledge that its response to his complaint could have been better, as when it first responded to his concerns it didn't address all the issues he had raised, so it offered to pay him £40 for any distress that it caused him by its poor complaint handling.

Mr K remained unhappy, so he referred his complaint to us.

One of our adjudicators looked into Mr K's concerns, she felt that Halifax hadn't acted unfairly in how and when it defaulted Mr K's account. Mr K disagreed, so the complaint was passed to an ombudsman for a final 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, I don't think that Halifax has acted unfairly here. I'll explain why I think this is the case.

I appreciate that Mr K says he believed he had paid enough into his account to avoid a default, but I don't think the evidence I have seen supports this. I've seen the banks notes which show he had discussed a plan to reduce his overdraft limit each month, the letter dated 3 December 2019 which confirmed his overdraft limit was now £945, and Halifax's letter of 28 December 2019 which specifically asked him to pay £86.76 into his account. I appreciate that this 28 December letter didn't specifically detail the arranged limit on his account, but I think it did make it clear how much Mr K needed to pay.

I also have to bear in mind that by the time it was closed Mr K's account had been over the arranged limit for an extended period of time and – other than the £31.76 he paid in January 2020 – he hadn't made any payments into the account for several months. We would not expect a bank to allow an account to remain in an overdraft for an extended period of time, with no significant payments being made to reduce the balance, without taking any action.

I think it was fair for Halifax to give Mr K that initial breathing space with a reducing limit to see if he could repay the balance. But when he didn't make the agreed payments, or bring the account back within the arranged limit when requested on 28 December 2019, I think it was fair for Halifax to then decide to default the account.

I appreciate that Transunion seem to believe the default has been incorrectly recorded, but nothing I have seen supports that, and I don't have any insight into what Transunion may have based that decision on. And ultimately, I'm satisfied that the default accurately represents how Mr K has managed this account.

I acknowledge that Halifax did go on to refund a small amount of charges that Mr K had incurred from December 2018 until the account was closed, but I don't think that changes the overall position here. And I also don't think that Halifax's offer to pay Mr K £40 to recognise that it could have handled his complaint better has any bearing on the fairness of the default that was recorded. I also note that Mr K has said Halifax holds two separate addresses for him, and only one of those is correct, but all the letters I have referenced in this decision appear to have been sent to the correct address for Mr K. And in any case, Mr K has confirmed he received the 28 December 2019 letter which detailed the specific amount he needed to pay to prevent his account from being closed and defaulted.

I appreciate that this will be very disappointing for Mr K, but I'm satisfied that Halifax has treated him fairly here, so I won't be asking it to do anything more.

My final decision

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 26 May 2022.

Sophie Mitchell
Ombudsman