

The complaint

Mr B complains about a default recorded on his credit file by Bank of Scotland trading as Halifax.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Mr B had a current account and overdraft with Halifax. In October 2020 Halifax wrote to Mr B and explained it had taken the decision to close his account. Halifax asked Mr B to arrange repayment of his overdrawn balance and explained the account would close in two months.

Halifax issued a formal demand in January 2021 and Mr B went on to call its collections team. Mr B told Halifax he wanted to arrange a payment plan to clear the outstanding balance and had been referred to his local branch. But when Mr B visited the branch he was told no plan could be agreed. Mr B asked about options for setting up a payment plan and also gave Halifax some very personal information about his health.

On 27 January 2021 Halifax wrote to Mr B to say it had placed a 30 day hold on his account.

Mr B raised a complaint and Halifax issued a final response. Halifax agreed to wait until 20 March 2021 for him to clear the balance in order for its default to be removed from his credit file. Halifax also agreed to pay Mr B £75 due to the service provided when he called to set up a payment plan and visited a branch.

During March 2021 Mr B spoke with Halifax's collections team on several occasions. At one point, Halifax took a payment to clear the majority of the balance, but later said an error had been made because the payment needed to be made in branch. Halifax's statements show Mr B cleared the balance on 19 March 2021 when he made a payment to the account.

Halifax hasn't removed the default and Mr B referred his case to this service. An investigator looked at what had happened but didn't think Halifax had treated Mr B unfairly. Mr B asked to appeal and explained he'd been given confusing and contradictory information by Halifax. Mr B also said the default had an unfair impact on his credit file and had affected his mental health. As Mr B asked to appeal, his complaint has been passed to me.

What I've provisionally 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.

Halifax's terms and conditions allow it to close an account by giving the customer notice of its intention. In October 2020 Halifax gave Mr B the required notice as set out in the terms.

I haven't found anything that shows Halifax made an error or acted unfairly when it took the decision to close Mr B's account.

That being said, I've reached a different view to the investigator. I think Mr B's complaint should be upheld. Mr B complains that Halifax provided confusing information about how to pay and when he needed to clear the balance to avoid a default. I agree.

I note Halifax's final response said Mr B had until 20 March 2021 to clear the balance. And Halifax's letter dated 20 February 2021 said Mr B's account would be on hold until 22 March 2021. The evidence I've seen shows Mr B cleared the balance in full on 19 March 2021, so I can understand why he wants Halifax to remove the default, in line with what it agreed to do.

I'm satisfied that as Mr B made the payment before 20 March 2021, Halifax should follow through with its offer to remove the default from his credit file.

Halifax sent Mr B a cheque for £75 to apologise for the service provided. I'm not persuaded that figure fairly reflects the level of distress and inconvenience the issues raised have caused Mr B. I've reviewed the collections notes in full and I can see contradictory information was given to Mr B. At points there were discussions about setting up a plan but it was later confirmed that wasn't an option for Mr B. I can understand why Mr B found the information provided confusing.

Halifax says Mr B could only make a payment in branch but then took a payment over the phone on 3 March 2021. Halifax then called Mr B back and said the payment it had taken hadn't been credited to the overdraft and he'd have to make it up in branch. But the statement evidence provided and collections notes indicate the first main payment Mr B made on 3 March 2021 was ultimately credited to his account. And, as I've said above, Mr B cleared the remaining balance on 19 March 2021.

I think Halifax caused an unreasonable level of confusion in this case and understand why Mr B is so upset. I also think it's fair to say Mr B has had a default on his credit file for over a year, despite making a payment to clear the balance in line with Halifax's offer in its final response. It's clear to me that the situation and requests to remove the default has caused Mr B a significant level of distress and I intend to increase the award to take that into account. In my view, the total award should be increased from £75 to £375. I think that figure more fairly reflects the impact of the issues raised on Mr B.

I invited both parties to respond with further points they wanted me to consider. Halifax said it wasn't reporting a default on Mr B's credit file in relation to his overdraft and that it had recorded arrears between January and March 2021. Halifax asked me to relook at the settlement.

I contacted both parties and said that as no default was reported, there was no need to remove it from Mr B's credit file. But I said the date the account closed should be amended from November 2021 to March 2021. I also said I thought a total award of £225 was a fair recognition of the distress and inconvenience caused to Mr B. I asked both parties to come back to me with further comments. No additional points have been received.

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 still think Mr B's complaint should be upheld, as set out above and my provisional decision.

I appreciate no default was recorded on Mr B's credit file, but I remain of the view Mr B experienced unnecessary distress and inconvenience due to the way Halifax handled his enquiries and that the his account was closed wasn't reported correctly. As a no further information has been received, I'm going to proceed in line with the revised settlement I gave in my follow up email.

My final decision

My decision is that I uphold Mr B's complaint and direct Bank of Scotland plc trading as Halifax to settle as follows:

- Amend the account closure date to March 2021 on Mr B's credit file
- Pay Mr B a total of £225 for the distress and inconvenience caused (less the £75 payment already made)

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 September 2022.

Marco Manente
Ombudsman