

The complaint

Miss B complains that Bank of Scotland plc trading as Halifax unfairly recorded adverse information against her account in relation to an overdraft.

What happened

Miss B held a bank account with Halifax. Her wages were paid into this account, and she used it to manage her general outgoings. In 2015 she applied to Halifax for a loan of £2,000. It's unclear exactly why Miss B needed the loan, as I can see she initially said it was to support her with travelling to the USA due to a relative having fallen seriously ill; but she's also said she took out the loan as she was splitting with her partner at the time, and needed funds urgently for a deposit.

But reasons for the loan aside, it seems there were some technical issues with it being put into place, and Halifax were unable to arrange it in time for her potential trip. So Halifax agreed instead, to extend Miss B's overdraft by around the same amount, to give her access to the funds needed. And they said she could sign the required loan paperwork when she returned, and use the loan monies to repay the overdraft. They also said they'd look to cover fees that may be charged in relation to the overdraft, and would compensate Miss B £50 for the inconvenience of the matter.

Following the overdraft being arranged, the loan was then never organised, and it's unclear why this was. But it seems both Halifax and Miss B agree that no loan paperwork was signed for. So, as a result, the overdraft remained in place.

Miss B says she attempted to make arrangements to repay the overdraft with Halifax. She didn't want her available funds being taken each month when money was paid into her account, because she needed this to live off of. But she said Halifax wouldn't agree to a plan, so she told them they'd need to ring her when they wanted to set one up. She's also explained that she moved address on multiple occasions around this time, and felt it wasn't her responsibility to make Halifax aware when her address changed.

Halifax say they did arrange a repayment plan for Miss B to repay the overdraft, but the repayment plan failed, and they couldn't arrange a further plan as Miss B had already reached the maximum amount allowed on the account. They did however, pay Miss B £20 for any inconvenience caused. Unhappy with this, Miss B referred her case to our service.

An investigator considered Miss B's complaint, but didn't think it should be upheld. She said she was satisfied that Miss B was required to make payments towards the overdraft, and that previous payment plans arranged with Halifax had failed. So, she didn't think Halifax were wrong to close the account and forward the debt to a third party. But she said she couldn't comment on the county court judgment (CCJ) that was issued, as this was registered by a third party.

Miss B remained unhappy with the outcome, so the case has been passed to me to decide.

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.

There are differing opinions over the versions of events that took place, and I appreciate that this matter has spanned a long period of time, so I understand how recollections of events may vary. My findings, however, will focus on whether it was reasonable for Halifax to close Miss B's account, and ultimately sell her debt to a third-party as a result of non-payment of the account. I won't be making a finding on whether it was fair for a CCJ to be registered, as this was carried out by a third-party, and I can't make a finding on the actions of another company when considering Miss B's complaint against Halifax.

When Miss B took out the overdraft, I appreciate this was never her initial intention. It seems that both parties agree this was a temporary arrangement, due to the fact that the loan applied for, could not be fully processed due to a technical issue. But both parties agreed to this overdraft, and Halifax also agreed to pay a small amount of compensation to Miss B to address any inconvenience this may have caused.

While the intention was for Miss B to repay this overdraft with the new loan she'd applied for, it seems clear that this never transpired, so the overdraft remained payable. I appreciate this must have been frustrating for Miss B given what she's told us, and I accept that she agreed to this as an alternate solution, which she intended to be temporary. But just because the loan ultimately did not come about, this doesn't mean that Miss B was not required to repay the overdraft.

Miss B argues that she did try to make arrangements to pay the overdraft facility but said that Halifax wouldn't agree to this.

Having looked at the history of Miss B's account, I can see that Halifax had previously applied breathing space to Miss B's account back in February 2015 when Miss B was off work due to a back injury. They then made a further payment arrangement in 2016, shortly after the loan in question did not go ahead, where they agreed Miss B would repay around £100 a month. But this arrangement failed after just one payment.

As Miss B had now had two separate arrangements on the account, and the second had failed after just one payment, Halifax have said at this stage, they weren't in a position to arrange any further plans. On balance, I think that decision was reasonable.

Miss B explained that following the failed payment plans, she'd moved home on several occasions following the overdraft being taken out, so says she would not have received some of the letters that Halifax would have sent chasing payments. She also says that it wasn't her responsibility to update her address with Halifax, if they wouldn't agree to a plan.

But the terms of Miss B's account clearly state that – *"We will contact you using the contact details you give us. You must tell us if your name or contact details change. If you do not tell us, we will go on using the details you last gave us, and we will not be responsible if we fail to contact you or if we send confidential information to the wrong address using out of date details. We may charge you our reasonable costs of finding you (or trying to find you) if your contact details are not up to date."* So, if Miss B failed to receive correspondence from Halifax as a result of a change of address that she didn't inform Halifax of, then I would not hold Halifax responsible for this. Ultimately, I'm satisfied that Halifax met its obligations here by contacting Miss B at the last address it held for her.

I accept there has been some confusion with the original arranging of the loan; and the reasons for needing the loan initially still remain unclear. But I can see that at the time Halifax passed the overdraft debt onto a third party in 2021, Miss B had made only one payment towards the overdraft since 2016, with all other credits to the account, Miss B having requested be reimbursed.

So, in summary, Miss B failed to repay a debt she owed; didn't stick to the agreed repayment plans and didn't contact Halifax to let it know she'd changed address. And given those circumstances, I don't find that Halifax has made an error in the way it's dealt with Miss B's overdraft debt. I think Halifax was right to record adverse information against Miss B, close her account and pass her debt to a third party.

So, for these reasons, I won't be asking Halifax to do anything further.

My final decision

My final decision is that I do not uphold Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 25 November 2022.

Brad McIlquham
Ombudsman