

## The complaint

Mr Q complains that Bank of Scotland plc trading as Halifax incorrectly dealt with his chargeback request which resulted in an amount being re-debited to his account after he had undertaken a balance transfer. He says this caused him financial difficulty and significant distress and health issues.

## What happened

In June 2022, Mr Q raised a chargeback claim with Halifax as the hotel he had recently visited had charged him for breakfasts he hadn't had. In July 2022, Mr Q transferred the balance on his Halifax credit card account to another account which had a 34-month interest free period. Mr Q then received notification from Halifax to say his chargeback had been rejected. When he contacted Halifax, he discovered it had incorrectly requested a chargeback for the full cost of Mr Q's stay rather than the cost of the breakfasts. Mr Q's chargeback for the breakfasts was then accepted but Mr Q's Halifax account was re-debited £605.36 (difference between the full credit applied in June and the accepted chargeback amount). Mr Q says he couldn't afford to repay the re-debited amount and so he had a balance on his Halifax account incurring interest which would have been transferred to the other credit card with the interest free period had the mistake not been made.

Halifax issued a final response letter dated 24 August 2022. It apologised for not providing the service it should have and arranged to pay Mr Q £75. It said that it credited Mr Q's account with £708.43 instead of £103.07 in June and Mr Q didn't challenge this. While it noted it was its error to say Mr Q was never entitled to this money and so it was reasonable that £605.36 was re-debited. Halifax acknowledged that had a mistake not been made, Mr Q could have included the amount in his balance transfer and added a six-month interest waiver to his account.

Mr Q wasn't satisfied with Halifax's response and referred his complaint to the Financial Ombudsman Service. Our investigator upheld this complaint. She issued an initial view explaining that although the chargeback dispute was ultimately successful, Halifax's mistake meant that Mr Q wasn't able to transfer £605.36 to the credit card with the 34-month interest free period. Because of this she recommended that Halifax should (additional to the compensation already paid), ensure Mr Q paid no interest on this amount for as long as the term that applied to the transferred funds. Halifax responded to this view saying that Mr Q's outstanding balance had been reduced and due to system limitations, it was unable to apply the interest free period for 34 months.

Our investigator issued a second view recommending that as a 34-month interest free period couldn't be applied - and noting the circumstances of this complaint - the fair resolution was for Mr Q's outstanding balance of the disputed amount to be written off along with any interest charged on it and for any negative information recorded on Mr Q's credit file in regard to this amount to be removed.

Halifax accepted this. Mr Q thought more needed to be done. He said he had reduced the balance on the account as he had returned a mattress that he had needed due to an injury he had sustained. He said that Halifax was aware when this issue arose that he was in

financial difficulty, and he says this was the only option available to him to reduce his balance. He said had Halifax acted correctly in regard to his claim then the correct amount would have been transferred and he could have kept his mattress and received the 34-month interest free period on his balance. He said his complaint had been ongoing for several months and this had caused him a great deal of stress and his health issues had got worse due to no longer having the mattress. He wanted his balance written off and a refund for the funds he received for the mattress refund as well as a formal apology.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman to issue 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.

Mr Q raised a chargeback request in June 2022. This was for breakfasts he had been charged for while staying at a hotel. This chargeback request was, in the end, accepted. However, before this, Halifax incorrectly raised a chargeback for the full cost of Mr Q's hotel stay – a claim that was rejected. It is accepted that it was Halifax's mistake that the chargeback was raised for the incorrect amount and so I have considered the impact of this and what actions it is reasonable to require Halifax to undertake to put Mr Q back in the position he would have been had the mistake not been made.

As the chargeback was raised for the incorrect amount, an initial credit for the full amount was applied to Mr Q's account. Mr Q has explained that his circumstances changed in January 2022 as he suffered an injury and so he was taking steps to manage his finances. As part of this he undertook a balance transfer from his Halifax account to another credit card provider in July 2022 that offered 34-months interest free on the balance transfer amount.

Following the rejection of the initial chargeback claim, Halifax said Mr Q's account would be re-debited. I agree this is the usual process when a chargeback has been rejected, but as shown by the subsequent acceptance of the reduced chargeback claim, had the correct amount been requested at the outset, Mr Q's account would have received the reduced credit in June and then no re-debit in August. Due to the mistake, Mr Q's account was re-debited £605.36 in August 2022. While I agree that the £708.43 was incorrectly applied to Mr Q's account in June and Mr Q didn't raise this at the time and that Halifax was within its rights to take this money back, I can also see this process meant that Mr Q lost out on being able to transfer the net balance of £605.36 (along with the rest of his balance at the time) to the credit card with the 34-month interest free period.

Mr Q has explained he was struggling financially and so wasn't able to pay off the £605.36 balance and while Halifax did offer a six-month interest freeze, I agree this wasn't enough. Our investigator recommended that an interest freeze in line with the 34-month interest free period be applied to this amount. Halifax explained this wasn't possible and so I find it reasonable a further solution was recommended.

Mr Q has explained that due to his concerns about not being able to pay the £605.36 balance, he returned a mattress he had acquired that was still within its return timeframe. I understand this wasn't an action that Mr Q wanted to take but he was trying to mitigate his situation and I appreciate that the return of the mattress has had a knock-on effect on Mr Q's health following his injury. However, I have to consider what I can hold Halifax responsible for and, as I have noted, it was within its rights to re-debit the amount it incorrectly applied to Mr Q's account.

Given the above and noting Mr Q's circumstances and the stress the issue has caused (and also appreciating the time it has been ongoing) I think the fairest resolution is for Mr Q's outstanding balance in regard to this issue (which Halifax noted as being £254.45 in its response dated 15 February 2023) to be waived along with any interest charged. And for any negative information recorded on Mr Q's credit file in regard to this transaction to be removed. Halifax paid Mr Q compensation of £75 in August 2022. I think this is a fair resolution. I know Mr Q feels he should also be refunded the amount he received for the returned mattress, but I do not find this is required as Halifax is already allowing him to not repay an amount that was incorrectly credited to his account.

### **Putting things right**

Halifax should, as it has agreed, waive the remaining balance in regard to this transaction on Mr Q's account (it has confirmed no interest has been charged on this amount) and remove any negative information recorded on his credit file in regard on this amount.

### **My final decision**

My final decision is that Bank of Scotland plc trading as Halifax should take the actions set out above, as it has agreed, in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Q to accept or reject my decision before 20 July 2023.

Jane Archer  
**Ombudsman**