

## **The complaint**

Mr M complains that Bank of Scotland plc trading as Halifax did not stop all gambling transactions following a gambling freeze being placed on his account.

## **What happened**

Mr M applied a gambling freeze to his Halifax account, that would stop all gambling transactions being processed. To test this, he made a series of large transactions to a merchant I'll call 'C' for the purposes of this decision. He received a text from Halifax for each transaction confirming they had been declined due to the freeze on his account. However, when he checked his account on C later that day, he found that some of the payments had been processed totalling £30,000 and he went on to spend this money.

Mr M later attempted to make another series of payments to C and again received texts confirming these had been declined due to the freeze on the account. However, when he checked his account with C, one of them had gone through successfully. He raised a complaint about this, and Halifax issued a final response letter explaining that the payments had been processed as investment transactions and not gambling ones. Because of this, the freeze had not stopped them.

Mr M referred the complaint to our service as he did not agree with Halifax's final response letter. He did not understand how the payments could have gone through after he received a text confirming they were declined due to the freeze.

Our Investigator looked into the complaint. They explained that the transactions had been processed under gambling 'merchant codes', which categorise payments and these are set by the merchant, in this case C. These were then declined by Halifax due to the gambling freeze. However, shortly afterwards the merchant re-categorised some of the merchant codes to investment related payments, meaning the second time around they were not blocked by the gambling freeze. As this was down to the merchant and not Halifax, they did not agree that Halifax had made an error in processing the transactions.

However, the Investigator did feel that Halifax should have flagged Mr M's spending as unusual as early as around May 2022, when he was making large payments daily. As they felt more should have been done to monitor his account that could have led to him getting support at an earlier stage, they recommended £500 compensation.

Halifax eventually agreed to this, however Mr M still felt Halifax's system should not have informed him the payments had been declined, especially as he was vulnerable at the time.

As an informal agreement could not be reached, the complaint has been passed to me 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 done so, I agree with the Investigator for largely the same reasons. I'll explain why in more detail. I've firstly considered the gambling freeze and whether Halifax made an error when processing the payments to C.

Halifax has provided evidence showing that all of the transactions were initially declined by them, as the merchant codes had been categorised by C as 'gambling'. Therefore, under the gambling freeze Halifax declined these and correctly informed Mr M of this.

Following this, C re-categorised some of the merchant codes from gambling related codes to investment related ones. Due to this re-categorisation, the transactions were no longer caught by the gambling freeze. This is because the gambling freeze relies on the categorisation codes alone and is not able to block payments to specific merchants. While I understand and appreciate this has circumvented the freeze that Mr M put in place to try and help curb his gambling issues, I can't agree that Halifax has made an error. It has correctly blocked transactions that it has been told by the merchant are gambling transactions and it has then processed transactions it has been told by the merchant are investment transactions.

I can understand why Mr M is unhappy, as this process meant he was informed the payments had been declined and he thought this was final. I'd like Mr M to know that I've fully taken into consideration all of his comments about how this affected him as a vulnerable individual. But I have to also balance this with what Halifax' system was able to do at the time. Having carefully considered how the gambling freeze system was set up, keeping in mind it's limitations, I don't think Halifax could reasonably have done more in the circumstances. And it is not within my remit to comment on how Halifax has chosen to set up their payment systems.

I've gone on to consider if Halifax could have seen that Mr M was struggling at an earlier stage and therefore could have offered him help and support.

Looking at Mr M's account history, it was not unusual for him to make relatively large transfers on occasion. These were often either to his business or a separate account in his name within Halifax. So, I don't necessarily think it was out of character for Mr M to make large transactions. However, I can see that towards the end of February 2022, there are a series of large credits to his account, followed immediately by four transfers out totalling £8,000 to C, and a further £10,000 out to C the following day. And I consider the speed and the quantity of these transfers to be reasonably suspicious.

There are then some more sporadic payments to C as well as other similar companies. At the beginning of May Mr M again sent £15,000 to C over two transactions in one day which depleted the majority of the account balance. The same day he credited the account with a director's loan of £20,000 and then again depleted most of the balance by paying £20,000 to C in two transactions the following day. The speed, quantity and value of the transactions to C, totalling £35,00 in just two days, I think should reasonable have flagged on Halifax's systems. As I think the transactions could be interpreted as behaviour that is showing vulnerable traits.

While I do acknowledge that Halifax did telephone Mr M on 1 June in relation to high value transactions that had flagged on their system, these were almost a month after those highlighted above, and also were after Mr M placed the gambling freeze on the account. So I do think that Halifax missed an opportunity to provide support to Mr M at an earlier stage.

It is therefore disappointing that Halifax did not apply friction to Mr M's ability to spend

compulsively sooner, either by applying a gambling freeze at an earlier time or signposting him to organisations that could support him. On balance, I think the recommendation of £500 compensation in recognition of this failure to offer support earlier is reasonable and in line with what I would have recommended in the circumstances.

### **Putting things right**

I direct Halifax to pay Mr M £500 compensation in recognition of the distress and inconvenience caused by the not offering support to him sooner.

### **My final decision**

I uphold Mr M's complaint in part and direct Bank of Scotland plc trading as Halifax to pay £500 compensation as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 May 2023.

Rebecca Norris  
**Ombudsman**