

The complaint

Mr R complains Bank of Scotland plc trading as Halifax (Halifax) defaulted his credit card account without prior notice.

What happened

Mr R says Halifax defaulted his credit card without any prior notification. Mr R says he was experiencing financial problems due to the Covid lockdown and despite him making attempts to speak with Halifax about this in late 2019 and early 2020 he wasn't being taken seriously and it never provided him with any information about his indebtedness only that the debt collection team would be in touch. Mr R says he then received a call from a debt management agent who he didn't recognise, and he was unaware his Halifax debt had been sold. Mr R says despite what Halifax have said he never received any letters from them about his debt or the fact his credit card account had been defaulted.

Mr R says Halifax could have communicated something as important as a default by other means especially given this was during Covid and he doesn't believe any demand/default letters were ever sent by Halifax and it should provide evidence to show that it has.

Mr R wants Halifax to remove the default from his credit file and to refund the overpayment he made to his credit card account in July 2020 when he sent £900 to clear what he owed.

Halifax says Mr R had been experiencing financial difficulties in 2019 and a temporary arrangement was put in place in July 2019 for the months from August to October 2019. Halifax says since October 2019 to June 2020 no payments were received from Mr R. Halifax says it wrote letters to Mr R in May 2020 and June 2020 regarding the default on his credit card account. Halifax says while Mr R paid £900 into his account in July 2020 this was after the credit card account had been defaulted and by this time the decision had been made to sell the debt to a debt management agent and the monies had been sent to them in August 2020.

Mr R wasn't happy with Halifax's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator felt Halifax acted reasonably when it defaulted Mr R's credit card account, as he had failed to make his contractual monthly payments and the investigator says she had seen the letters Halifax sent advising Mr R of the consequences of this.

The investigator says although Mr R had made a payment of £900 into his credit card account in July 2020, this was after the account had been defaulted. The investigator pointed out the decision by Halifax to sell the debt to a debt management agent was made prior to the account defaulting and Halifax were entitled to make that business decision and the payment had been sent directly to those agents. The investigator felt Halifax had acted reasonably here.

Mr R didn't agree with the investigator's view and asked for the matter to be referred 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 done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I can understand it would be upsetting for Mr R to discover his credit card account with Halifax had been defaulted and registered with the credit reference agencies, especially as he says he had been given no prior warning of this.

When looking at this complaint I will consider if Halifax acted reasonably when it defaulted Mr R's credit card account when it did, in June 2020.

Both parties have provided this service with comprehensive details of the course of events here and while that has proved helpful I won't be commenting on every point made as I don't feel it's necessary in order to come to a full and impartial decision here. That's not to say I haven't considered everything – I have.

Mr R's complaint centres around the fact he never received any communication from Halifax regarding its intent to default his credit card account and sell the debt to a debt management agent. Mr R maintains he was expecting contact from Halifax's collections department, but he never heard from them and feels it should provide clear evidence he was written to, given the significance and impact of the default on his credit file.

It's fair to say that Mr R had been experiencing financial problems prior to the Covid lockdown as he had been put into a temporary arrangement back in August 2019, so I can't say that Covid was the only reason why he was struggling to make his monthly payments to his credit card account. From the information provided to this service I can see Mr R didn't manage to keep to the temporary three- month arrangement agreed back in July 2019 and in fact no payments were made by him from October 2019 until he made the payment of £900 in July 2020, having been provided with a government bounce back loan (BBL).

With that in mind it's reasonable to say Halifax had provided reasonable forbearance over this period of time so it wasn't unreasonable of them to have issued the arrears and default notices when it did in May 2020 and June 2020, in fact Halifax would have been entitled to do that sooner than it did.

The key issue here is that Mr R maintains he never received any letters from Halifax and was waiting to hear from them having spoken to them in February 2020. I have seen copies of those letters sent to Mr R and these are addressed correctly and make clear he needed to make contact to discuss the matter and what the consequences could be if he didn't – including selling the debt, to debt management agents and registering a default with the credit reference agencies. So, while Mr R may not agree, Halifax have carried out its process here and I can't hold it responsible for the fact Mr R says he never received such communications. It's worth saying communication regarding defaults would be expected to be sent by formal letter rather than email by lenders in these circumstances and in fact in line with Halifax's own processes and procedures- so it's not for me to tell it, it must send these by any other means or by recorded or registered mail as Mr R refers to.

Mr R says he made contact by telephone but wasn't taken seriously by Halifax. I have looked at the historic call recording notes provided by Halifax and there's no records to suggest Mr R telephoned its money management team to set up a payment plan in February 2020, by which time Mr R was already four months in arrears in any event. There was a brief

call in February 2020 to a central department where Mr R was given the contact details of the money management team, but I can't see that was ever followed up and Halifax, having searched its systems, have no record of any other calls at that time or after.

It would on balance seem unlikely in all probability that Halifax would not agree to set up a payment plan in February 2020, if asked to do so, as it would be in its interest to have a plan in place to repay its outstanding debt, especially bearing in mind it had not received any payments to the account for four months at that time.

In any event, it's reasonable to say Mr R remains responsible for meeting his minimum monthly payments and on balance it's difficult to say he wouldn't have been aware of the fact if he failed to make any payments he would find himself in default. I say this as Mr R had received letters back in 2019 when he first experienced financial problems and these also point out his responsibilities and the consequences if he didn't.

As far as the overpayment Mr R says he made to Halifax this has been sent to the debt management agents that Halifax sold the debt to, and Mr R should contact them for any refund he feels is due - the investigator has access to the debt management business contact details and can provide this to Mr R if this can help him recover any overpayment he has made.

While I have some sympathy with Mr R's position here, I can't say Halifax have made any mistakes when it defaulted his credit card account when it did and while Mr R will be disappointed with my decision I won't be asking anymore of Halifax here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 30 November 2023.

Barry White
Ombudsman