

The complaint

Mr H complains that Bank of Scotland plc (trading as Halifax) have not amended his credit file correctly following fraud on his credit card accounts.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them in detail here. In summary, Mr H was the victim of fraud on a number of his accounts, including two Halifax credit card accounts. He became aware of this in September 2021 and raised it with Halifax, who initially declined the claim but a few days later accepted that Mr H was not liable and agreed to refund the transactions. They issued a final response letter on 30 October 2021 in which they said they had requested for the credit file to be updated, but this could take up to 60 days.

However, Mr H's credit file was not correctly amended and some late payments were still being reported, as well as settled balances showing the fraudulent amounts taken from his accounts and a number of cash withdrawals he did not carry out. A number of these have now been amended but some incorrect information still remains on his credit file, almost two years later. Mr H says this has affected his credit limits on accounts with both Halifax and third-party banks.

Halifax initially offered Mr H £75 compensation because it did not promptly contact him in relation to his complaint and this has been paid to him. It then offered an additional £260, which Mr H declined. The complaint was passed to our service and our Investigator looked into it. It was initially decided that the combined compensation of £335 was fair as they felt the credit file had been corrected. However, following further investigation it was found that incorrect information remained on Mr H's credit file a significant period of time after the issue was first raised. Because of this, the recommended total compensation was increased to £1,000, less the £75 that had already been paid. Halifax accepted the recommendation.

Mr H ultimately disagreed with the outcome as the Investigator had not upheld some key points that he felt were important. He said that his credit limit with the third-party bank had been reduced because of the incorrect information Halifax applied to his credit file. However, the Investigator could not agree this was the sole cause as they didn't have evidence to show why the limit had been reduced. Mr H also requested a letter from Halifax exonerating him from the fraud as he felt Halifax held him responsible.

As an informal resolution 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've come to the same outcome as the Investigator for largely the same reasons. Overall, I agree that the recommendation of £1,000 compensation is fair redress in

the circumstances. I'll explain why in more detail.

Mr H flagged with Halifax that fraud had occurred on his account in September 2021. He says that they allowed the fraud to happen due to their security not being good enough and that they did not contact him when his address was changed by the fraudster. Ultimately, there is no dispute that Mr H was a victim of fraud and the transactions have been refunded to him, so I don't think it is useful to go into detail about how the fraud occurred in the first place.

I do think that Halifax could have noticed that there was a change in the account behaviour and contacted Mr H prior to September 2021. I say this because there had been no activity on the accounts for many years and the balances were then utilised relatively quickly. And had Halifax done this, I think it would have minimised the impact the overall situation had on Mr H.

Mr H has requested a letter from Halifax exonerating him from the fraud as he feels they blame him for it. I appreciate why Mr H would like this; however, I don't feel it is necessary. From my experience, if Halifax felt Mr H were to blame for the fraud in any way, they would not have agreed to refund the significant value of the transactions, amended his credit file on multiple occasions and agreed to award him £1,000 compensation for the distress and inconvenience their errors caused him.

The final response letter dated 30 October 2021 confirmed that the transactions had all been refunded. But the credit file could take up to 60 days to be amended. I appreciate Mr H's comments that any changes should only take a few days, however it is not unusual for an amendment to a credit file to take at least 30 days to appear. So, I don't think Halifax's initial quote of 60 days to be wholly unreasonable.

I can see that Mr H's credit file in February 2022 was still showing late payments on one account and both were showing settled balances that reflected the fraud, as well as cash withdrawals Mr H did not carry out himself. In April 2022, neither account had late payments showing on the credit file, however both still had balances that reflected the fraud and cash withdrawals. In December 2022, the balances had been cleared to £0 or were in credit, however there were still some 'payment amounts' that reflected the fraud as well as the cash withdrawals.

I can therefore see that there are some aspects of Mr H's credit file that are not as they should be, and there should be an accurate reflection of his true account activity, which should not contain anything relating to the fraud. However, I also note that Mr H has now confirmed his credit score has returned to perfect and the highest score attainable, which suggests the factors remaining, namely the incorrect payment amounts and cash withdrawals, are not having a detrimental effect on his credit score. These should still be removed in any event.

Considering the significant amount of time it has taken for Mr H's credit file to be amended, and the fact that it is still not as it should be almost two years after Halifax was made aware of the fraud, I can understand how this has been frustrating for Mr H. He has had to chase Halifax over a significant period of time and it is clear that Mr H values his good credit score so this would have been particularly distressing for him. With this in mind, I do think a substantial compensation level is due. The recommendation of £1,000 is on the higher end of what I think is reasonable, but it is within the range that I think is fair, so I agree with the recommendation put forth by the Investigator and agreed by Halifax.

I appreciate that Mr H does not feel this is enough and has mentioned that £10,000 would be more reasonable. However, our service's compensation awards are relatively modest and

we would very rarely award such a significant amount. Compensation can be subjective and what may feel like enough to one person may feel too little to another in the same circumstances. I want to assure Mr H I have carefully reviewed his case and having done so, I agree that the recommendation of £1,000 is fair.

Mr H would like it to be accepted that his credit limit on a third-party account I'll call 'T' was reduced as a direct result of the incorrect information on his credit file applied by Halifax. He has said that we should apply the balance of probabilities to reach this conclusion. I'd like to assure Mr H that we do consider everything available to us when reaching a decision and do so based on the balance of probabilities to come to the outcome that is more likely in the circumstances.

A lender's decision to reduce a credit limit is based on a number of factors such as a consumer's credit file well as internal criteria that is commercially sensitive. While I understand that Halifax was reporting incorrect information on Mr H's credit file, so was another organisation that was affected by the same fraudulent act. On balance, I do not have enough to show that Halifax's actions *alone* are what caused T to reduce Mr H's credit limit on his account as a number of other factors would also have been involved. I'm pleased to hear that that this was later increased back to its original limit.

Mr H has mentioned a credit limit reduction and closure of his Halifax account, however this was raised as a separate complaint with our service, so I have not considered it further as part of this decision.

In summary, I uphold this complaint in part and agree with the recommendation of £1,000 compensation for the distress and inconvenience the issues have caused Mr H. I've considered Mr H's comments and having done so, I don't direct Halifax to take additional action. And the recommendation should be less the £75 already paid, as I have considered the compensation for the complaint as a whole.

Putting things right

Bank of Scotland plc should pay Mr H £925 compensation to bring the total paid to £1,000 for this complaint as a whole.

If possible, Bank of Scotland plc should also put Mr H's credit file back into the position it would have been in, had the fraud never happened. So, it should remove the 'amounts paid' and the cash withdrawal indicators.

My final decision

I uphold Mr H's complaint and agree with the recommendation of £1,000 compensation. Bank of Scotland plc should also amend Mr H's credit file where possible to remove the amounts paid and cash withdrawal entries.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 29 September 2023.

Rebecca Norris
Ombudsman