

The complaint

Ms E complains Bank of Scotland Plc, trading as Halifax, closed her current account and reported her overdraft despite her suffering from severe vulnerabilities.

To keep things simple, I will mostly refer to “Halifax” in my decision. To put things right Ms E wants her credit file repaired, and for Halifax to re-open the same type of account she previously had with it.

What happened

In September 2022, Halifax wrote to Ms E to explain it had closed her account and that she owes it around £1,400. Halifax said no further interest or charges will be added to the balance. And information about the default on her account has been shared with credit reference agencies.

Unhappy with Halifax’s actions, Ms E complained. Halifax didn’t uphold her complaint, and in summary said:

- The arranged overdraft was removed as a debt charity organisation (“DC”) sent Halifax a letter detailing Ms E’s income and expenditure, and an offer to pay £1 a month. The arranged overdraft agreement was removed as this was seen as a new and long-term offer
- As Halifax accepted the long-term repayment plan from DC on Ms E’s behalf, the account was closed ensuring all fees are permanently stopped whilst £1 payments are made each month
- Halifax needs to accurately report information to credit reference agencies to reflect Ms E’s financial circumstances. A default will be shown for six years and will make it difficult for Ms E to get credit

Ms E then referred her complaint to this service. In its submissions to this service, Halifax made the following points:

- Halifax was aware Ms E didn’t want to agree a £1 a month arrangement as per advice she was getting from DC. Halifax knew about Ms E’s abusive relationship and the impact this was having on her including her mental health
- Halifax was happy to put repeated holds on the account, as Ms E felt she would return to full time work soon and resume normal use of the account with her overdraft.

But when Halifax received an offer of £1 from DC along with the income and expenditure report, it thought Ms E must have agreed to this. So Halifax started the process of passing the account to recoveries and recording the default

- But had Halifax learnt about Ms E's serious illness at the time alongside what it knew about her abusive relationship, it would have written the debt off to allow closure without default. As it knows more about her circumstances now, it is happy to write-off the debt and amend her credit file to show no adverse information relating to the bank account
- Due to system limitations Halifax can't reopen an account that's been closed. But if Ms E does want another account with Halifax, she can apply for one. If she is declined, Halifax will look at the appeal through communication with this service. But it cannot offer any certainty that one will be opened

Ms E was happy with Halifax's offer to write-off her debt and amend her credit file. Our Investigator then sent Ms E their outcome. They said Halifax's offer is fair, and it doesn't need to do anymore. They also added that if her application for a new account is declined, she can appeal that decision through this service.

Ms E then applied for a current account, but it was declined. Ms E was offered a 'basic' bank account by Halifax, but she didn't want this type of account. Ms E said that as Halifax shouldn't have closed her account in the first place, it should open a similar current account to which she had before.

Halifax said the current account application was declined because records showed Ms E had a County Court Judgement ("CCJ") registered against her in 2018.

Ms E reiterated that Halifax should re-open her account as it failed to consider her circumstances especially as she pleaded with it about her ill health. Ms E added that most of her recent defaults are because Halifax closed her account, and she couldn't meet standing orders and direct debit payments.

Ms E accepts she has a CCJ from 2018, but says she is disputing its validity with a third-party credit card company. Ms E also says she has had a basic bank account before, and it prevented her accessing many payment services.

As Ms E didn't agree her complaint was passed to me to decide. I then sent both parties my provisional decision and set a deadline for them to make any further comments and give me evidence to consider.

My provisional decision

Here is what I said I was planning on deciding:

"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'm planning on upholding Ms E's complaint in part. I know Ms E feels strongly about her complaint, so I'll explain why. I'd also like to assure her that I've very carefully considered her personal circumstances for the period she's complaining about. I'd like to add that I don't underestimate how difficult and challenging the circumstances she has, and is still, going through must be.

After this complaint was referred to this service, Halifax altered its position from that of its final response letter. It said that had it known about Ms E's severe ill health in addition to what it already knew about her abusive relationship and the impact this was having on her, it would likely have written off her debt, not defaulted her, and closed the account.

Halifax have sent me its internal records which show it noted her abusive relationship as a vulnerability in September 2021. And that it only noted the serious illness in September 2022. Ms E says she told Halifax around the time it said it would be closing her account about her serious illness.

I note that prior to September 2022, Halifax was happy to keep the account open and agree arrangements with Ms E with the view that she will be able to maintain her account better once she was able to return to work. But Halifax accepted DC's offer of Ms E paying £1 a month as a variation away from this. And that intervention was the catalyst for it to move ahead with its normal process to close the account, default it and cease any further interest and charges.

I haven't seen any evidence Ms E told Halifax about her serious illness before it decided to close her account. The extensive call notes I've seen from Halifax's internal systems from March 2021 suggest this was only discussed after its decision to close the account. The notes show Halifax did know Ms E was unwell, and that she was suffering with significant mental health issues. But I haven't seen any note which shows Ms E told Halifax about her more serious illness upon which it later says it would have acted differently upon.

Even if I were to accept Ms E did tell Halifax beforehand, its decision later to treat Ms E in line with how it would of by writing off the debt and not registering the debt, is more than I would expect it to do.

I say that because, given Ms E's vulnerabilities, I'm persuaded that working with her in terms of payment arrangements whilst not defaulting her account would have been fair. But Halifax has completely written off Ms E's £1,400 debt – something that would likely have taken considerable time and effort for her to pay off. Halifax also has removed any adverse credit file information related to the account.

As Ms E accepted this part of her complaint as resolved, I don't need to make any further findings on the debt and credit file reporting related to the account. So this brings me to the crux of Ms E's complaint. That is, Halifax's decision to close her account and decline her application for the same type of account she had before.

Halifax's internal technical records show Ms E had an 'Easycash' account from July 2012 until it changed to 'Reward' current account in August 2017. In June 2020 till closure the account was a standard 'current' account.

I've closely looked at the differences in services between a current account and a basic bank account. I've also noted that Ms E says a current account gives her greater access to payment methods. But I don't see significant differences between a current and basic account's capability to make payments as they both have contactless and online capabilities.

It's unfortunate Halifax are not able to re-open the account as it was given its system limitations after they were migrated as part of its merger with its now parent company. But the action to write-off the debt and not default it would have resulted in the account being closed in any event.

So given I don't see significant differences between a current and basic account's capability to make payments, I'm persuaded the offer to open a basic account is a fair resolution of Ms E's complaint.

I also note that by Halifax writing off the debt, and removing the default, her application for a new account would still likely be affected by a CCJ registered in 2018 in any case. Ms E says she is disputing this CCJ. I don't know what information the court took into account

when registering this CCJ, nor if Ms E was still subject to any of her vulnerabilities at that point - and whether she had told the court about this.

But based on what I do know, I'm still persuaded opening a basic bank account as replacement to a current account is a fair and reasonable outcome to resolving this complaint. That's in addition to what Halifax has already done"

As the deadline for further submissions has passed, and neither party have made further comment or provided evidence for me to consider, I will now decide this complaint.

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, and for the reasons in my provisional decision – as above – I uphold this complaint in part. Halifax have already taken pro-active action I think is more than I would have recommended it to do to put things right.

It is also now up to Ms E to decide if she wishes to take up Halifax's offer to open her a basic bank account.

My final decision

For the reasons above, I uphold this complaint in part. As Bank of Scotland plc has already taken pro-active action given Ms E's vulnerabilities, I don't direct it to take any further remedial action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms E to accept or reject my decision before 1 December 2023.

Ketan Nagla
Ombudsman