

The complaint

Mr M is unhappy with Bank of Scotland plc, trading as Halifax's (Halifax) handling of his overdraft debt. Mr M says Halifax used the wrong date for reporting the default to the Credit Reference Agencies (CRAs) and has expressed concerns about the sale of the debt to a third-party (Company L).

What happened

Mr M opened a bank account with Halifax in July 2007 and in February 2018 Halifax received notification that Mr M had decided to switch his banking to another provider. At the time of switching banking providers Mr M had an outstanding balance on his overdraft, so Halifax requested Mr M repay it. Mr M's last payment towards the debt was for £60 on 13 March 2018 which didn't clear the debt, so an outstanding balance of £387.74 remained.

After the account was switched, the Halifax account was no longer available to Mr M, but an account remained open for the purposes of being able to repay the outstanding overdraft balance.

On 15 March 2018 Halifax received notification that a meeting of creditors (MOC) would be taking place on 19 March 2018 to discuss Mr M entering into an Individual Voluntary Agreement (IVA) - a formal insolvency arrangement.

The MOC took place on 23 March 2018, and following this Mr M's IVA was put in place.

Almost a year later, in February 2019, Halifax reported the account as defaulted to the CRAs and then sold the debt to Company L in August 2019. A Notice of Assignment was issued early September 2019. Ownership of the debt of £387.74 and the responsibility of reporting the debt to the CRAs therefore transferred to Company L.

In July 2023 Mr M raised concerns with Company L that the date of the default being reported to the CRAs for this debt was incorrect because it should have been reported from the date the IVA started.

Halifax said they had done nothing wrong in selling the debt to Company L. But they accepted Mr M's account should have been closed off and the default applied sooner than they had done. Halifax therefore said they would arrange to update the account information reported to the CRAs with a default start date of 19 March 2018 and they offered Mr M £70 for the trouble caused. Mr M didn't accept this resolution.

Our Investigator reviewed Mr M's concerns against Halifax and concluded Mr M's complaint should not be upheld. The Investigator noted Halifax had amended the default start date being reported to the CRAs so it was now 19 March 2018, and said it was reasonable for Halifax to have sold the debt. The Investigator felt £70 was fair to reflect the trouble caused.

Mr M didn't accept the Investigator's view. He questioned some of the evidence the Investigator was relying on to say the credit file would now be reporting accurately. Mr M

also felt that Company L's pursuance of him for repayment of the outstanding debt was Halifax's fault. Mr M said this because Halifax had not made clear to Company L that the sum was part of an IVA so he should not have been chased for it.

The Investigator reviewed their position and clarified the evidence Mr M had questioned, but they weren't persuaded to change their opinion of his case and explained this to Mr M. As the matter was unable to be resolved it has come to me to decide.

What I've decided – and why

I would first note that Mr M's concerns about Company L's involvement in this matter have been handled under a separate complaint with this service so I make no comment on Company L's actions as they do not form part of this decision.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The parties should note that where the evidence is incomplete, inconclusive, or contradictory, I've made my decision on the balance of probabilities – which, in other words, means I've based it on what I think is more likely than not to have happened given the available evidence and the wider circumstances.

I agree with our Investigator that Mr M's credit file was updated by Halifax and I note Mr M has also confirmed to us that his credit file is reporting accurately – although I note he still says this doesn't change the fact that it was previously being reported incorrectly.

I acknowledge Mr M's frustrations in this regard as I recognise the reporting of a default can have personal and financial implications for individuals and such reporting should therefore be accurate. Equally, I cannot consider the mis-reporting of the default without acknowledging his credit file would show Mr M was subject to an IVA and the impact of this is likely to be of greater significance to prospective lenders. But as Halifax have already accepted they made an error here, there is not much more for me to say on this point and all parties agree this error has already been put right.

What is left for me to consider is the impact this has had on Mr M and whether, in the circumstances, Halifax's offer of £70 is a fair sum to reflect how this has affected him.

Mr M has said Halifax is at fault here because they did not tell Company L he was in an IVA. He says that had Halifax done this, then Company L would not have chased him for the debt for two years. Mr M has also questioned whether Halifax was entitled to sell the debt to Company L while he was in an IVA.

I'll deal with the latter point first. In short, Halifax were entitled to sell the debt to Company L even while Mr M was in an IVA. The responsibilities of managing the debt and accurately reporting the debt then fell to the new owner of the debt – in this case, Company L. I'm aware from Company L's submissions to this service that a Notice of Assignment was issued to Mr M early in September 2019. So I'm unable to say Halifax have done anything wrong here.

I am satisfied Halifax was aware of the IVA as it is noted in their records. However, the available submissions make it less clear whether Halifax made Company L aware that Mr M was in an IVA or whether the debt in question formed part of an IVA. In any event, entering an IVA is a matter for the public record, details of all IVAs are recorded on the Individual Insolvency Register, they stay on it throughout the IVA and for three months after it ends, and available to all to search.

I can see from Halifax's records that Company L contacted Halifax about the debt and the date of its default (after Mr M had raised his concerns with Company L) and Halifax were unable to confirm if the debt had formed part of the IVA or not and suggested this was something Mr M should be able to confirm with his own IVA paperwork.

Mr M's submissions to this service include a document which supports the original creditor meeting took place on 23 March 2018 and that the Halifax debt of £387.74 was admitted to the IVA at that time.

I think it's accepted there was an IVA and on balance, given Mr M's own records relating specifically to the IVA (which I have no reason to doubt at this time) I think the debt in question was part of the IVA.

I note Halifax's records are clear in recording the IVA Supervisor's details and they have said Company L would have bought the debt as an IVA debt, but I have nothing to show what specifically Halifax shared with Company L when the debt was sold.

It is disappointing the available evidence is not more helpful here to show what was shared between Halifax and Company L when the debt was sold. And I have considered what Mr M has said about Halifax's failure to alert Company L to the IVA and Company L's pursuance of repayment of the debt. However, in the circumstances I don't think I need to determine what exchanges took place between Halifax and Company L to reach what I think is a fair and reasonable outcome in relation to the impact on Mr M.

Mr M would have been aware of the IVA and I think it's reasonable to say he would also have been aware of the creditors admitted to the IVA and what the terms of the IVA placed upon all those party to it. Therefore I think it's fair to say if Mr M was being contacted about the debt in question I think it's reasonable to say he would have raised any concerns sooner than he did with Company L, who had the responsibility to ensure they were chasing the right person for the debt.

I am mindful that Mr M did not raise any concern or questions with Company L about this debt until July 2023. So, regardless of whether Halifax told Company L that Mr M was in an IVA when the debt was assigned over or whether the debt was part of the IVA, I can't say the now accepted error had any significant impact on Mr M before July 2023.

A default remains on an individual's credit file for six years. Had Mr M's date of default been accurately reported from the outset, then the default would have fallen away from Mr M's credit file in mid-March 2024. So as Halifax took steps to correct the date of default before then, I'm unable to see this has caused Mr M any impact here as the default date was not reported for any significant period of time longer than it should have been had it been correctly reported from the outset.

At times, what happened here is not entirely clear. But I think it's fair to say Halifax corrected Mr M's credit file to ensure it was being accurately reported, and this was done without any real impact beyond when the defaulted date should have stopped being reported, so I see no financial or reputational harm here.

But I think Mr M was impacted by this matter. I think it's fair to say Mr M's financial standing is important to him and he had taken formal measures to improve his financial situation. I think it's reasonable for him to have expected that once a certain point in time was reached, his credit file would be in a better position, and so the thought that a default could still be reported beyond this time was no doubt upsetting.

Mr M doesn't think £70 is enough here to recognise the upset and inconvenience this matter has caused him and I have considered what Mr M has said.

Mr M should note this service does not have the power to fine or punish a business – that power rests with the financial regulator. So the award here is to reflect the impact to Mr M only. And while I understand he is upset by these events, the error was corrected before it could continue any longer than it should have done. I'm aware it took a few months from the time Mr M first raised his concerns with Company L before it was corrected and, once aware, Halifax corrected the error reasonably promptly. Overall I don't think Halifax need to pay more compensation.

Bank of Scotland plc, trading as Halifax has already issued Mr M with a cheque for £70, but it is not clear if Mr M has cashed this cheque. If Mr M has not cashed the cheque and it is no longer possible for him to do so, he should let Bank of Scotland plc, trading as Halifax know so they can reissue it.

My final decision

For the reasons above, my final decision is that Mr M's complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 December 2024.

Kristina Mathews
Ombudsman