

The complaint

Mr S has complained that Bank of Scotland plc, trading as Halifax ("Bank of Scotland") has not paid the full amount of compensation after upholding his complaint about his overdraft.

What happened

Mr S made a complaint to Bank of Scotland in September 2023, saying that it had offered him an overdraft that he couldn't afford to repay. Bank of Scotland wrote to him on 14 November 2023, saying that it accepted it hadn't provided the right support when his overdraft was renewed in June 2018. So it said it was paying him a total of £1,835.44 in 30 days' time. This was made up of £1,790.98 in refund of the interest charges that had been applied while the overdraft had been in place and actively used, and a further £44.46, which was 8% interest on that payment for the time Mr S didn't have the money. Basic rate tax had been taken off the interest payment, as Bank of Scotland was required to do. Bank of Scotland also said it would be removing the overdraft from his account on 19 December.

Mr S brought his complaint to this service at the end of November 2023, saying that he hadn't received the money. It was paid into his current account on 19 December, but Mr S told us he hadn't received the full amount promised and was owed a further £1,000.

I should say here that Bank of Scotland told Mr S that it could only look at his complaint from the date of the overdraft renewal in June 2018. Mr S hasn't complained that it should have looked at his overdraft from an earlier date, and nor has he said that he disagrees with the figure of £1,835.44 – his complaint is that he has not received all of it. Therefore I will only look at this point in my decision.

Our investigator looked into Mr S's complaint but didn't think Bank of Scotland had done anything wrong. Mr S didn't agree, and asked for his complaint to be reviewed by an ombudsman.

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.

I've decided not to uphold Mr S's complaint. I'll explain why.

As I noted above, I am only looking at whether Bank of Scotland has paid the full amount of compensation to Mr S, in relation to his complaint about his overdraft.

The amount Bank of Scotland said was due was £1,835.44, and it said it would pay this in 30 days (so by 14 December 2023). It also said it would be removing the overdraft from Mr S's account on 19 December.

Bank of Scotland sent in copies of Mr S's bank statements for December 2023, and I can see that two amounts were credited on 19 December - £1,810.45 and £45.66 – making a total of £1,856.11. (This is slightly higher than the amount stated in Bank of Scotland's letter

of 14 November, but Bank of Scotland told us that an amount refunded earlier had been included in error in the amount paid on 19 December. However the amount paid on 19 December would stand).

Before the compensation was paid, Mr S's account was overdrawn by £998.98. So after Bank of Scotland made the payment into his account, it was in credit by £857.13. The overdraft limit was removed on the same day.

From what Mr S has said, I think he took Bank of Scotland's comment that it would be removing his overdraft to mean that it would be clearing the overdraft (bringing his bank balance back to zero) and then paying the compensation amount on top, rather than just removing the overdraft limit.

I think Bank of Scotland might have been clearer in its letter to Mr S that it was removing the overdraft facility, meaning that Mr S wouldn't be able to go overdrawn. But I can't fairly say that it should go further and pay Mr S additional compensation to cover the overdraft amount of just under £1,000. I say this for the following reasons.

In cases like this, where the complaint is upheld, we'd expect the lender to put the consumer in the position they'd be in now if they hadn't paid interest and charges on an overdraft, from the point the lender ought to have realised it was unsustainable. So any interest and charges paid after that point should be refunded, with 8% simple interest added. We also consider it fair that compensation and interest can be applied to an outstanding debt. However Mr S has had the use and the benefit of the money he borrowed by way of the overdraft, so it's fair that that should be repaid.

So looking at what's happened here, I'm satisfied that Bank of Scotland has paid the full amount of compensation, and it's fair that part of it was used to repay the overdraft and bring Mr S's current account back into credit. I'm also satisfied that it was fair to remove the overdraft facility, given that Mr S's original complaint to Bank of Scotland was that it had been granted irresponsibly.

I note that Mr S was unhappy about the delay in payment of the compensation, as it was outside the promised 30 days. Again, I think Bank of Scotland's letter could've been clearer – the overdraft removal was stated to be happening on 19 December, which was after 30 days had expired, but it wasn't explained that the overdraft limit needed to be removed to make sure that the account would be brought back into credit by the compensation payment.

However, although the payment was late, the delay was only two working days, and as Mr S was paid slightly more than promised, I don't consider that he has lost out.

Finally, Bank of Scotland has confirmed to us that it has also arranged for any negative information on Mr S's credit file about the overdraft since June 2018 to be removed. This is also in line with what we would expect where a complaint like this is upheld.

Taking all this into account, I'm satisfied that Bank of Scotland has paid the full amount of compensation that it promised in settlement of Mr S's complaint, and that it applied it to his account correctly. I don't think it has acted unfairly, and therefore I've decided not to uphold Mr S's complaint.

My final decision

For the reasons I've explained, I've decided not to uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 April 2024.

Jan Ferrari
Ombudsman