

The complaint

Mr P complains about the way a disputed transaction and associated chargeback was handled by bank of Scotland plc trading as Halifax. Mr P also complains that Halifax recorded adverse information about an unarranged overdraft on his credit file.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

On 6 September 2022 Mr P instructed Halifax to make a payment of £11,200 to a business I'll call M which operates a currency exchange service. But M didn't receive the payment Halifax sent.

On 12 September 2022 Mr P contacted Halifax to check where the funds were. During Mr P's call, Halifax agreed to raise a dispute to find out what had happened to the funds and a temporary credit was applied to his account for £11,200. Halifax's agent took the details of Mr P's dispute during the call. A short time later, Mr P withdrew the majority of the funds in his Halifax account, including the temporary refund.

Halifax's dispute notes show Mr P's case was reviewed on 13 September 2022 with the circumstances being recorded in reasonable detail. Halifax's notes show a chargeback dispute was raised on 21 September 2022 but had to be set up again the following day due to a systems issue. The notes show that on 8 October 2022 a review took place and Halifax recorded that it needed proof the funds hadn't been received by M along with a detailed description of the dispute in full. Halifax sent Mr P a text message on 8 October 2022 asking him to call about his dispute.

When no response was received, Halifax sent Mr P an email on 31 October 2022 and asked him to make contact to provide the above information by 22 November 2022. Halifax's email explained that if no response was received by that date it would assume he no longer wished to pursue the dispute so the temporary refund of £11,200 would be removed from his account.

Mr P's explained he doesn't recall receiving either the text message or email from Halifax so wasn't aware it needed more information.

When no response was received, Halifax debited £11,200 from Mr P's account which placed it in an unarranged overdrawn position.

The following day, Mr P contacted Halifax after finding his account was overdrawn and was advised the refund had been withdrawn due to a lack of response. Mr P spoke with Halifax again on 28 November 2022 as he'd forwarded the information requested. Mr P asked Halifax to reapply the temporary refund. But Halifax's agent advised that wasn't possible. Mr P also emailed Halifax on 28 November 2022 providing details of his dispute. The information provided was largely in line with the details he'd originally submitted. Mr P also supplied screenshots from his account with M showing the funds hadn't been received.

Halifax reviewed the information Mr P supplied and emailed him on 8 December 2022. Halifax asked for a copy of a statement from M that showed the funds hadn't been received. Mr P called Halifax back on 9 December 2022 and explained no statement from M was available. Mr P offered to provide his log in credentials to Halifax so it could verify what he'd told it. Mr P also raised a complaint about the way his dispute had been handled.

On 30 December 2022 Halifax raised a formal chargeback dispute with M. The details included in the chargeback dispute were largely in line with the information it obtained from Mr P during his call on 12 September 2022. Halifax emailed Mr P to say M had 30 days to respond.

Halifax issued a final response on 13 January 2023 but didn't uphold Mr P's complaint. Halifax said M had 45 days to respond to the chargeback dispute which remained outstanding. Halifax didn't agree to remove the adverse information it was recording about Mr P's overdraft from his credit file. The chargeback dispute was ultimately upheld and the funds returned to Mr P's account.

Mr P referred his complaint to this service and it was passed to an investigator. They thought Halifax had dealt with Mr P's complaint fairly and didn't ask it to do anything else. Mr P asked to appeal and said that he'd raised concerns about the impact to his credit file with Halifax during the chargeback process and was assured it wouldn't be affected. Mr P also said that if Halifax had been clearer he would've deposited funds back into his account to repay the overdrawn balance before adverse information was recorded on his credit file. As Mr P asked to appeal his complaint it's been passed to me to make a decision.

What I've provisionally 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.

Halifax has explained that when Mr P failed to respond to a text message it sent on 8 October 2022 and an email issued on 31 October 2022 it took the decision to remove the temporary refund of £11,200 which placed his account significantly into an unarranged overdraft. Halifax has forwarded systems evidence to show the text message and email were both sent in line with the contact details it holds for Mr P. And I accept they were most likely received. But Mr P's told us he has no recollection of receiving these contact attempts and that, if he had, he would've quickly responded.

In my view, Mr P most likely missed the text message and email Halifax sent. But I'm not persuaded that means it Halifax treated Mr P fairly. I'll explain why.

I've looked at the overall timeline for Mr P's dispute along with the information Halifax requested. I note Mr P first raised the dispute with Halifax on 12 September 2022 but it took until 8 October 2022 for a complete review to take place and for a chargeback claim to be raised. Whilst I can see Halifax wanted more information, I note that one of the items it asked for was a detailed description of the dispute. But I've looked at Mr P's original submissions and listened to his calls with Halifax on 12 September 2022. In my view, Mr P had already given a detailed explanation of his dispute and why he was asking Halifax to step in. It's not clear to me what more Mr P could've told Halifax to help it reclaim his funds.

I also note that Halifax also asked Mr P to provide evidence M didn't receive the payment. But given the nature of the claim Mr P was trying to make, I find it difficult to understand why this wasn't mentioned at the very outset, when Mr P called on 12 September 2022. To me, this appears to be very basic information that Halifax would require to investigate any

dispute of this nature further. And I note that on 13 September 2022 Halifax's dispute notes show Mr P had advised he had access to M's app that confirmed the funds hadn't been received. So I'm satisfied Halifax was aware Mr P had access to that information when he first raised the dispute.

I also think it's fair to say that whilst Halifax sent a text message and email to Mr P, it could've done more. Given Mr P's original chargeback claim was made over the phone and Halifax had his number, I see no reason why a call couldn't have been made. Given the size of the temporary refund and impact removing it would have on Mr P's account (and credit file) I think the fairest approach would've been for Halifax to have gone further in its attempts to contact Mr P. And had Halifax phoned Mr P when the text message and email didn't receive a response, I think it's more like than not he would've discussed the dispute and provided the information requested.

As I've noted above, it appears to have taken Halifax from 12 September 2022 to 8 October 2022 to review the chargeback claim. Given the amounts involved, it's not clear why there was a period of inactivity of almost a month before the claim was fully reviewed by Halifax.

The day after Halifax withdrew the temporary refund, Mr P called to find out why. Mr P was quick to then submit the required information by email to Halifax on 28 November 2022. But looking at the details Mr P provided concerning the circumstances of his dispute, they're the same as originally submitted in September 2022. I've been over the different submissions Mr P made as recorded on Halifax's notes and there's very little new information provided. In addition, whilst Mr P provided screen shots from M, as I've said above, I see no reason why they couldn't have been requested on 12 September 2022 when he spoke with Halifax to raise the dispute.

I note the chargeback claim was submitted by Halifax on 30 December 2022, over a month after Mr P responded to its information request. I haven't seen anything that explains the delay. And given Mr P's account position at the time and the potential for harm to his credit file, I'd have expected Halifax to have treated his claim with some urgency.

Based on the evidence I've seen, the information Halifax asked Mr P to provide didn't add any real weight to the successful claim it went on to make. And I'm satisfied there were significant periods of unexplained delays in the way Halifax administered Mr P's chargeback claim that also impacted the progress of the investigation. Whilst I accept Halifax sent a text message and email, given the impact to Mr P by removing the temporary refund, I'd have expected it to have done more in this case before taking that step. Overall, I haven't been persuaded that the adverse information recorded on Mr P's credit file accurately reflects what happened during the chargeback dispute or paints a fair picture of how he administered his account.

If Halifax had done more to contact Mr P and progressed his case in a more efficient way, I think the situation could've been avoided and he would more likely than not have received a refund at an earlier point. I also think, on balance, that it wouldn't have been necessary to remove the temporary refund so Mr P's credit file wouldn't have been impacted by adverse information being reported. Mr P's account would also not have been placed in an unarranged overdrawn position. Overall, I haven't been persuaded that Halifax treated Mr P fairly.

In my view, the fairest way to resolve Mr P's complaint is for Halifax to amend his credit file to remove the adverse information recorded following the disputed payment. I've considered how the issues raised have impacted Mr P and I also intend to award him £250 for the distress and inconvenience caused over a reasonably extended period. In my view, that figure fairly reflects the level of trouble and upset caused.

I invited both parties to respond with any further comments or information they wanted me to consider before I made my final decision. Mr P responded and confirmed he is willing to accept. We didn't hear back from Halifax.

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.

As neither party has provided new information for me to consider I see no reason to change the conclusions I reached in my provisional decision. I still think Mr P's complaint should be upheld, for the same reasons.

My final decision

my decision is that I intend to uphold Mr P's complaint and direct Bank of Scotland plc trading as Halifax to settle as follows:

- Remove any adverse information recorded about Mr P's overdraft from his credit file from November 2022 onwards
- Pay Mr P £250 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 25 April 2024.

Marco Manente
Ombudsman