

## **The complaint**

Mr C is unhappy that Bank of Scotland plc trading as Halifax ('Halifax') increased the interest rate on his credit card account and won't review this.

Mr C wants his interest rate to be reviewed – and ideally reinstated - and for Halifax to pay him compensation for the distress and inconvenience this matter has caused him.

## **What happened**

On 29 April 2024 Mr C was notified in his Halifax banking app that his credit card interest rate was increasing from 5 July 2024. Halifax's accompanying letter, dated April 2024, said this was based on a review of Mr C's credit file and how he managed his account.

Mr C called Halifax to question the rate change, as Mr C thought his financial standing had recently improved due to paying off his debt. He asked for a review as he was concerned Halifax had considered out of date information on his credit file when reaching their decision. To initiate a review, Halifax logged Mr C's concerns as a complaint.

Halifax sent Mr C a letter the following day, saying they'd resolved his complaint. This came as a surprise to Mr C as he hadn't received any information about his requested review, so he telephoned Halifax again to ask for the matter to be investigated.

Halifax considered Mr C's complaint but concluded they'd not made any error. Halifax confirmed they couldn't review their decision because they were unable to change an interest rate once it'd been applied. Halifax reiterated Mr C could close his credit card account and repay the balance at his current interest rate.

Mr C remained unhappy and referred his complaint to our service. He said another lender had been able to review and change a new interest rate. He said Halifax should be able to review their decision, even if the result didn't change.

Mr C added that he'd felt so strongly concerned about the rate change and the reasons behind it that he'd decided to call Halifax from his holiday abroad, which was disruptive, and he'd been inconvenienced by having to make a further call when he got home.

Our investigator obtained further information from Halifax and concluded that their process for changing interest rates was fairly applied to Mr C. So, he didn't uphold Mr C's complaint.

## **My provisional findings**

I recently sent my provisional findings to the parties in relation to this matter, as follows:

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

*I've considered any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.*

*In doing so I've come to a different conclusion to our investigator and I intend to uphold Mr C's complaint, for reasons I'll set out.*

*It may help to explain that it is not my role to fine or punish businesses or ask them to review their systems or processes, as these are matters for the regulator – the Financial Conduct Authority ('FCA') - to consider. My role is to resolve individual complaints based on what is fair and reasonable in the circumstances of each case.*

*Mr C doesn't dispute that Halifax had the right to change his interest rate under the account's terms and conditions, so I've focused on whether Halifax complied with their regulatory obligations in this case.*

*The FCA's Handbook of rules and guidance ('FCA Handbook') contains a Consumer Credit Sourcebook ('CONC') which sets out how Halifax should handle a risk-based interest rate change.*

*Looking at the provisions in CONC 6.7.13, I'd expect Halifax to give Mr C sufficient notice of the increased interest on his account and give him the option to opt-out - which would mean he would lose the use of his card but could repay his debt at the old interest rate. I'm inclined to say that Halifax's letter to Mr C dated April 2024 met these requirements.*

*And looking at CONC 6.7.10 I wouldn't expect Halifax to raise Mr C's interest rate if he was in (or at risk of) financial difficulty at the time. Given what Mr C said to Halifax and to this service, I don't think he was. I'm satisfied that Halifax considered this when they first decided to increase Mr C's interest rate and reviewed this again when the new interest rate took effect.*

*In submissions to this service Halifax provided evidence to show they'd followed their internal scoring process to set a new interest rate for Mr C, based on various factors within their lending criteria and with reference to Mr C's credit file. I'm inclined to say that Halifax treated Mr C fairly in applying their process to Mr C's circumstances when assessing his interest rate.*

*I have also considered CONC 6.7.16 which requires Halifax to provide Mr C with a suitable explanation for an interest increase where this is risk-based. Halifax referred to how Mr C used his account, and their review of his credit file, to explain their decision. I'm minded to say this was a reasonable explanation and that it was sufficient to alert Mr C to his concern that Halifax may have relied on outdated information.*

*Industry guidance expects lenders to report information to the Credit Reference Agencies that is fair, accurate and up to date. In practice lenders report at set intervals so I think Mr C is right to say that his credit file may not have reflected recent changes to his accounts at the time Halifax checked it.*

*The Information Commissioner's Office, an independent body set up to uphold information rights, says that when a consumer has been subjected to an automated decision on important matters, such as Halifax's determination of Mr C's interest rate here, they have a right to human intervention.*

*I'm of the view that it would've been good industry practice for Halifax to appeal or manually review their decision in circumstances where Mr C could likely show his recent debt payments weren't reflected on his credit file, particularly if their decision was fully automated.*

*I consider a manual review would have also been in keeping with Halifax's regulatory obligations under Principle 6 of the FCA Handbook which requires Halifax to pay due regard to the interests of their customers and treat them fairly.*

*I note Halifax referred Mr C's concerns to a team for a review, but then told Mr C they couldn't change his interest rate once the system had applied it.*

*In submissions to this service Halifax said they had a system in place to limit the impact of the interest increase on their customers, and they'd capped Mr C's new rate at a lower amount than their automated system had originally quoted. Halifax confirmed this took place as part of the new interest rate calculation rather than as a manual review following contact from Mr C.*

*So, it doesn't appear to me that a manual review took place after Mr C contacted Halifax to raise his concerns. Consequently, I'm of the view that Halifax didn't act in accordance with good industry practice and have treated Mr C unfairly here.*

*Mr C told Halifax he was minded to pay off his credit card balance every month going forwards, so he wouldn't pay the increased interest rate. I have no reason to doubt Mr C could manage his account in this way and I think it fair to say the change in interest rate hasn't exposed Mr C to financial difficulty. However, I think Mr C's position here indicates his frustration with how his account has been handled.*

*To put things right I would ordinarily propose that Halifax should now engage with Mr C and conduct a manual review of the decision to increase the interest rate on his account. To be clear, this does not mean I would be directing Halifax to change their decision, rather to give their decision human consideration. But I am mindful Halifax's submissions suggest that amendment of the interest rate applied to the account is not something they can review or their system can accommodate.*

*I also intend to say that Halifax should pay £100 to Mr C for his distress and inconvenience in this matter. I think this appropriately reflects that Mr C's concerns were not properly addressed the first time he raised them, so he was put to the trouble of ringing Halifax a second time and had two further conversations with a manager at Halifax before making a complaint to this service.*

*I'm mindful that Mr C feels Halifax's notification of the interest rate change – which they were obliged to send him - interrupted the enjoyment of his holiday. I think it was reasonable for Halifax to issue their notification in accordance with the terms and conditions of the account, although I acknowledge this wasn't news Mr C was pleased to hear and wanted to challenge. Given the new rate was not going to take effect for a few months, I'm minded to say it was open to Mr C to wait until his return to the UK to contact Halifax. In those circumstances, I don't think it's fair for me to consider the disruption to Mr C's holiday when considering the level of award here."*

#### Responses to my provisional decision

In my provisional decision I invited the parties to respond with any further points they'd like me to consider.

Mr C confirmed he'd cleared off all his debt, which was why he'd been so concerned with Halifax's reasons for his increased rate. He also explained his personal circumstances meant he had to deal with this matter head on, to avoid further impact on his holiday. He wanted me to reconsider my proposed award for his distress and inconvenience.

Halifax confirmed that they do have the ability to undertake a manual review of their decisions. Halifax identified that in Mr C's case their internal process was not correctly followed and accepted my proposal that they pay Mr C £100 for his distress and inconvenience here, to recognise that Mr C's concerns were not addressed as they should have been.

Halifax also confirmed they'd undertaken the manual review that should have been possible before – so a person in the correct team has reviewed the decision – but unfortunately this has not changed the outcome of Halifax's decision to change Mr C's interest rate.

I recently asked Halifax to show me that their manual review took into consideration Mr C's updated financial position and I have now reviewed the information they sent in response..

### **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 acknowledge that Mr C doesn't think my proposal to put things right goes far enough. Where I decide that something's gone wrong, I can make a proposal for the business to put things right as far as it is practicable to do so – but I can't fine or punish a business, and my proposal has to be fair and reasonable, taking into account the circumstances of the complaint.

I recognise Mr C's personal circumstances meant he dealt with this matter head on to avoid further upset and worry. In those circumstances it was understandable that Mr C didn't wait until his return to the UK to contact Halifax.

However, I haven't found it was wrong for Halifax to notify Mr C about the interest rate change, or to make contact when they did. Halifax were obliged to send the notification in accordance with the terms and conditions of Mr C's account. So the upset and inconvenience caused by the notification Mr C received whilst he was on holiday is not something I'd look to compensate.

What merits compensation, in my view, is that Mr C received a summary resolution letter with no consideration of the concerns he'd raised, and he had to ring Halifax a second time. And it's only after raising a complaint and bringing that complaint to our service that Halifax confirmed they were able to conduct a manual review. This is a greater level of inconvenience than I would expect for someone to sort out such a problem.

I recently asked Halifax to show me what they'd considered as part of their manual review, as I wanted to ensure that Mr C's specific concern about his financial standing had been addressed. I won't provide details of the information Halifax shared with me, as it's commercially sensitive, but I can confidently reassure Mr C that two manual reviews were carried out in July 2024 and November 2024 and both took into account his financial standing at those times. Unfortunately, this hasn't affected the interest rate that's applicable to his account.

I don't think Halifax's acknowledgement that their failings were avoidable adds to the impact of those failings on Mr C. On that basis I'm satisfied that my proposal that Halifax pay £100 to Mr C is a fair and reasonable outcome in the circumstances of this complaint, and in line with our approach.

**Putting things right**

Bank of Scotland plc trading as Halifax should now take the following action:

- Pay £100 to Mr C for his distress and inconvenience.

**My final decision**

For the reasons I have outlined I uphold this complaint and require Bank of Scotland plc trading as Halifax to put thing right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 February 2025.

Clare Burgess-Cade  
**Ombudsman**