

The complaint

Mr W complains that Bank of Scotland plc trading as Halifax unfairly recorded a default on his credit file.

What happened

Mr W had a loan with Halifax and in late 2023 it agreed a three month payment break. Halifax wrote to Mr W on 27 October 2023 to confirm no payments would be due in the following three months and that the plan would end on 25 January 2024. Halifax's letter confirmed the plan would not clear Mr W's normal payments which were still due each month and that he should make contact before its end date to discuss options for repayment. On 25 January 2024 Halifax wrote to Mr W to confirm his plan had ended with arrears totalling £907.93 now due. Halifax said Mr W could call with his income and expenditure details to agree a payment plan if he wasn't able to clear the arrears in full.

Halifax wrote to Mr W on 2 February 2024 and agreed to accept reduced monthly payments of £100 in place of the normal payment of £355.38, ending on 27 March 2024. Halifax's letter confirmed the arrangement wouldn't resolve the arrears and that Mr W would need to get in contact before the end of the plan to discuss them further.

Another letter was sent to Mr W on 4 May 2024 that advised his payment arrangement had come to an end with arrears of £1,674.07 due. Halifax asked Mr W to make contact and provide details of his income and expenditure if he was unable to clear the arrears in one go.

Mr W spoke with an agent at Halifax on 17 May 2024 and said he wanted to make payments of £100 towards the arrears in addition to the normal monthly payment of £355.38. The agent Mr W spoke with asked him to complete an expenditure assessment to agree a payment arrangement but he declined to do so. The call ended with Mr W confirming he wanted to make payments of £100 in addition to the normal monthly payment. Mr W went on to pay £355.38 on 28 May 2024 and 26 June 2024. No additional payments of £100 were made by Mr W or claimed by Halifax.

Mr W raised a complaint about the information given by the agent he spoke with on 17 May 2024 and Halifax issued a final response on 22 May 2024. Halifax said the information provided by the agent wasn't right and that they should've explained to Mr W that to look at a payment arrangement to clear the arrears it would need to review his income and expenditure details. Halifax confirmed Mr W was still in arrears of £1,674.07 and that he should call to discuss a payment arrangement if he was unable to clear them in full.

Halifax sent Mr W a default notice on 25 May 2024 that confirmed there was no arrangement to repay the arrears in place. The default notice asked Mr W to make contact by 12 June 2024 and clear the arrears of £1,674.07. The default notice added that Mr W could call to discuss other options to avoid default. Mr W's confirmed he didn't receive Halifax's default notice. On 16 June 2024 Halifax wrote to Mr W again to say it hadn't received a response to its default notice and asked Mr W to get in touch. Halifax said that if Mr W didn't get in touch within 14 days it would end the loan agreement and the full balance would become due.

On 8 July 2024 Halifax wrote to Mr W to confirm the loan agreement had ended with an outstanding balance of £13,045.30. Mr W went on to raise a complaint and explained he hadn't received Halifax's default notice so wasn't aware his loan was due to close. Mr W also pointed out he'd made the monthly payments in May and June 2024 and that an agent had agreed for him to make payments of £100 a month towards the arrears.

Halifax issued a final response on 26 July 2024 but didn't uphold Mr W's complaint. Halifax said it had sent Mr W the default notice and wasn't responsible for problems with delivery. Halifax also said it had never agreed for Mr W to make additional payments of £100 towards the arrears and had contacted him to discuss completing an income and expenditure assessment so it could look at whether an arrangement could be agreed. Halifax also confirmed Mr W had only made the normal monthly payments in May and June 2024.

An investigator at this service looked at Mr W's complaint. They weren't persuaded Halifax had made a mistake or treated Mr W unfairly by closing his loan at default due to the arrears and lack of payment arrangement. Mr W asked to appeal and said he believed Halifax should've sent its default notice via recorded delivery. Mr W also said he was making the normal monthly payment and that Halifax had cancelled the agreement to pay £100 a month towards the arrears despite initially agreeing to accept. Mr W also said Halifax had agreed to add the arrears to his loan balance when he originally agreed the payment break. As Mr W asked to appeal his complaint has been passed to me to make a decision.

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'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under.

I can see that Halifax agreed to various payment arrangements with Mr W from October 2023 to assist when he asked for it. A three month payment break was agreed followed by a reduced monthly payment of £100 for the next three months. It was in May 2024 that Mr W's existing payment arrangement ended and he spoke with an agent to the arrears. I've listened to that call and could hear that Mr W wanted Halifax to accept his normal monthly payment plus £100 a month towards the arrears. I think the agent could've done a significantly better job at explaining why they wanted to carry out an income and expenditure assessment with Mr W before agreeing a repayment arrangement.

In short, lenders have to ensure a borrower's repayments are affordable. So when looking to pay more than the contractual monthly payment, businesses are required to check a borrower's circumstances before a formal payment arrangement to clear arrears can be agreed. That's to ensure the additional cost of repaying the arrears doesn't cause financial hardship.

Whilst I agree the agent could've done better, I note they tried to call Mr W back on 17 May 2024 and a manager called him on 20 May 2024 as well. Mr W wouldn't answer the security questions on 20 May 2024 so the call couldn't proceed. But I can see Mr W raised a complaint during this period and a final response was issued on 22 May 2024.

Halifax's 22 May 2024 final response confirmed the agent Mr W spoke with should've completed an income and expenditure assessment to agree a payment arrangement towards the arrears. The final response confirmed Mr W's account remained in arrears by £1,647.07 and that he needed to call to discuss arrangements to repay them. I'm satisfied Halifax clearly explained that Mr W needed to contact it to make arrangements to clear the arrears.

Halifax then sent Mr W a default notice on 25 May 2024. I understand Mr W's confirmed it wasn't received. I've read the default notice sent to Mr W and can confirm it's correctly addressed – in line with the details we hold for him. Whilst I understand Mr W's told us the default notice wasn't received, I'm satisfied it was correctly addressed and sent by Halifax as claimed. I note Mr W says it should've been sent by recorded delivery, but that's not something Halifax is required to do.

I also think it's fair to note Halifax issued a follow up letter on 16 June 2024 that gave Mr W a further 14 days to make contact. Again, that letter was correctly addressed. Halifax's letter explained that if no payment or contact to agree an arrangement were received it would close the loan account, which is what it went on to do. I'm sorry to disappoint Mr W but I haven't been persuaded that Halifax failed to notify him of its intention to close his loan and report a default on his credit file if the arrears weren't cleared and no payment arrangement to reduce them was reached.

I appreciate Mr W made his contractual monthly payment in May and June 2024 but the loan still had arrears of £1,674.07 outstanding with no agreed payment plan in place to reduce that figure. In the circumstances, I haven't been persuaded Halifax acted unfairly by terminating Mr W's loan and reporting a default on his credit file due to the outstanding arrears.

Mr W's told us the original agent he agreed the payment break with told him the missed payments would be added to his loan balance. But that's very much against all the letters Halifax sent Mr W from October 2023 onwards. Halifax's correspondence with Mr W was consistent in explaining that by taking the payment break his account would be in arrears and that an arrangement would need to be agreed to repay them if they weren't cleared in full. I also note Halifax's letters are also consistent in explain it would need to complete an income and expenditure assessment to agree a payment arrangement.

I'm very sorry to disappoint Mr W but as I haven't been persuaded that Halifax made a mistake or treated him unfairly by closing his loan and recording a default on his credit file I'm unable to uphold his complaint.

My final decision

My decision is that I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 February 2025.

Marco Manente
Ombudsman