

## **The complaint**

Mrs P is unhappy that Bank of Scotland plc, trading as Halifax, processed a direct debit payment from her current account that took that balance of her current account into unarranged overdraft.

## **What happened**

Mrs P has a Halifax current account on which a direct debit was in place to make monthly payments to her Halifax mortgage on the 15<sup>th</sup> of each month. On 15 December 2023, Mrs P didn't have sufficient funds in her current account to make the mortgage payment, and so she expected the direct debit to be returned unpaid.

But Halifax processed the mortgage payment, which took the balance of Mrs P's account into an overdrawn position. And because Mrs P didn't have an overdraft facility on her current account, this meant that she was in an unarranged overdraft. Mrs P wasn't happy about this and noted that the interest that she'd have to pay on the unarranged overdraft was at a higher rate than the arrears interest she would have had to pay on the mortgage. So, she raised a complaint.

Halifax responded to Mrs P but didn't feel that they'd done anything wrong by processing the direct debit payment for the mortgage and explained that they didn't charge any interest on an unarranged overdraft. Mrs P wasn't satisfied with Halifax's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Halifax had acted unfairly in how they'd administered Mrs P's account. Mrs P remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

Mrs P is unhappy that Halifax processed a mortgage payment from her current account when there weren't sufficient funds in the account for that payment to be taken. However, upon review, I don't feel that Halifax have acted unfairly by processing that mortgage payment.

There are several reasons for this. These include that a mortgage payment is considered a high priority payment, because the consequences of falling behind on mortgage payments can be severe – including, in the worst-case scenario, the repossession of the mortgaged property and thus the loss of a home. As such, when put in the position of choosing whether to place a customer in an unarranged overdraft on their current account or to place a customer in a position of arrears on their mortgage, it seems both understandable and reasonable to me that Halifax would have chosen the former.

It also must be noted that the fact that Halifax might allow direct debit payments to complete

which will take a current account overdrawn is stipulated in the terms and conditions of their current account. This is as follows:

*“What happens if there isn’t enough in your account to make a payment?*

*If you don’t have enough money in your account (or available arranged overdraft) shortly after midnight to make a payment, you have until 2.30pm to pay money into your account to make the payment that day.*

*If you don’t have enough money in your account (or available arranged overdraft) your payment may still be taken. This may mean that your account goes into an unarranged overdraft.*

*If a payment takes you over your arranged overdraft limit, we will not charge you interest on the part that is above your [overdraft] limit.”*

Additionally, if Mrs P was expecting that her mortgage payment would be returned unpaid in December 2023, then I would reasonably have expected Mrs P to have contacted Halifax and informed them of this in advance of that payment being attempted. Indeed, I note that Mrs P called Halifax the day before the payment was due, on 14 December 2023, and having listened to this call I note that Mrs P makes no reference of the fact that she was expecting to be unable to pay the mortgage payment that was due the next day.

In a later call that took place on 9 January 2024, Mrs P complains that if Halifax had allowed her mortgage to fall into arrears, she would have paid 3.25% interest on those arrears, rather than the 40% interest she believed she was paying on the unarranged overdraft.

But again, if Mrs P wanted to manage her debt in such a manner, it would be expected that she would engage with Halifax about it in advance. And even if she had, I still feel that it would have been fair and reasonable for Halifax to have honoured the mortgage payment direct debit, given the high priority status of that payment as previously discussed.

Also on the 9 January call, Mrs P notes that she didn’t transfer the money across to her Halifax current account from another account she has with another bank because she was ill. In consideration of this point, the obvious question that arises is why didn’t Mrs P transfer that money across after the mortgage payment was taken, to bring her Halifax current account out of unarranged overdraft?

It also must be noted that when the Halifax mortgage payment was taken, there was approximately £105 in Mrs P’s Halifax current account, meaning that her account only went into an unarranged overdraft for part of the mortgage payment that was due. But later transactions on that same day spent the £105, meaning that the full mortgage payment amount became overdrawn.

Perhaps most importantly, as explained in the account terms quoted above, while Mrs P was concerned that Halifax would be charging her 40% interest on the unarranged overdraft, the fact of the matter was that Halifax didn’t charge any interest on the overdrawn balance. This is demonstrated by the fact that all the current account arrears collections letters that were sent to Mrs P by Halifax, dated 11 and 23 January, 8 February, and 16 March 2024, all confirm that balance outstanding as being £235.15 – which wouldn’t have been the case if interest was accruing on that balance.

As such, by providing Mrs P with an unarranged overdraft on which no interest was charged, rather than allowing potentially damaging mortgage arrears to accrue which would have incurred interest, I’m satisfied that Halifax prevented Mrs P from incurring an immediate

financial detriment here. And I'm also satisfied that Halifax gave Mrs P a fair and reasonable amount of time to repay the overdrawn arrears on her current account.

But Mrs P didn't repay the overdrawn current account arrears in the reasonable time given by Halifax for her to do so. And neither did she come to any form of arrears repayment plan with Halifax to restore the position of her current account over an agreed period.

Because of this, Halifax moved to default Mrs P's current account, and they've since transferred the debt to a debt recovery agency. This doesn't seem unfair or unreasonable to me. And I feel that Halifax provided Mrs P with ample opportunity to either repay or agree to repay the money that she owed to them before taking this action.

Mrs P has explained that she called Halifax on 16 December 2023, the day after the direct debit payment in question, at which time she asked Halifax to reverse the direct debit payment and was told by Halifax's agent that this wouldn't be a problem. However, Halifax have no record of any such call taking place.

Where the testimonies of the complainant and the respondent disagree, I must decide which of the two versions of events I feel is most plausible, based on all the information and evidence provided to me.

In this instance, I find Halifax's position to be the more persuasive. This is because I feel that Halifax have demonstrated that they've undertaken a thorough search for this call, or any notes surrounding it, and haven't been able to find anything. I've also listened to later calls between Mrs P and Halifax, and I don't feel that the content of these calls does provide any clear reason to accept that an earlier call took place. Finally, I note that Mrs P was invited to provide a call log which would confirm that the call took place, but that she was unable to provide one.

However, even I accept that a call did take place on 16 December 2023 as Mrs P describes, I don't feel that this would have any impact on my decision here. This is because if Mrs P was told by Halifax's agent on such a call that the direct debit would be reversed, then that would have been a mistake by that agent.

Such a mistake wouldn't have meant that Halifax should then have honoured the incorrect information given and reversed the direct debit payment, but only that Halifax should have apologised to Mrs P that their agent provided incorrect information to her on that call. And this means that the outcome here – that Halifax fairly and reasonably processed the mortgage payment direct debit – would have remained the same.

Finally, Mrs P has explained that she was ill around the time of these events which impacted how she managed her financial affairs at that time. I've listened to several calls that took place between Mrs P and Halifax, and I note that on the 9 January 2024 call and onwards Mrs P does mention that she was ill and had been since before Christmas.

But while I sympathise with Mrs P on a personal level in that regard, her illness didn't diminish her contractual obligation to make the mortgage payments or have any impact on what I'm satisfied was the fairness of Halifax's actions in processing the December 2023 mortgage payment and in how they later administered Mrs P's current account.

I realise this won't be the outcome Mrs P was wanting, but it follows that I won't be upholding this complaint or instructing Halifax to take any further or alternative action here. This is because I don't feel that Halifax have acted unfairly by processing the mortgage payment direct debit, or in how they later moved to default Mrs P's current account when she didn't repay or agree to repay the current account overdrawn arrears. I hope that Mrs P will

understand, given what I've explained, why I've made the final decision here that I have.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 13 March 2025.

Paul Cooper  
**Ombudsman**