

The complaint

Mr S complains that Bank of Scotland plc trading as Halifax ('Halifax') cancelled his direct debit mandate resulting in him missing a credit card payment. He says when Halifax cancelled his direct debit it should also have cancelled his credit card. And because it didn't do so, it has caused him financial loss.

What happened

Mr S has two Halifax credit cards – I will refer to these as card1 and card2. In August 2023, Mr S used card1 to make a payment of £94.61. Before this he hadn't used card1 since 2019. On 21 September 2023, Halifax tried to take a direct debit payment in respect of card1. However, this was unsuccessful. Halifax said this was most likely due to the fact that the direct debit hadn't been used for such a long time resulting in it becoming inactive. Halifax wrote to Mr S on 22 September 2023 notifying him about the non-payment. And on 4 October 2023, he received a text message from Halifax telling him card1 was in arrears.

Mr S said he didn't receive the letter dated 22 September 2023 but he did receive the text message sent to him on 4 October at which point he contacted Halifax. Mr S made the full balance payment of £94.51 on 27 October 2023 – Mr S said he did try to pay this earlier over the phone shortly after being told about the arrears but he said something had gone wrong at Halifax's end so the payment was unsuccessful.

On 28 October 2023, Mr S tried to make a payment in a retail store using card1, the payment was declined. Halifax later said this was probably due to the arrears on the account. It should be noted that Mr S was able to make payment in the relevant retail store on the same day (28 October 2023) using other forms of payment.

In January 2024, Halifax reduced Mr S's credit limits for both card1 and card2 which it said was most likely due to the late payment marker relating to card1 which had been applied to Mr S's credit file. Following a call with Mr S, Halifax restored his credit limits. Halifax also paid him £70 in compensation for any inconvenience this issue had caused. Mr S complained to Halifax about the initial direct debit issue and the problems that ensued. Halifax rejected Mr S's complaint.

Unhappy with Halifax's response Mr S referred his complaint to our service. Whilst the complaint was with us Halifax offered Mr S £75, which was in addition to the £70 it had already paid him. However, it ultimately increased its offer to £300, again in addition to the £70 already paid. Halifax also said it would remove any negative markers from Mr S's credit file. Mr S declined this offer and asked for an ombudsman to consider the matter.

Whilst this matter was with us, Mr S's bank provided information which showed the direct debit for card1 had been inactive since 2019. After trying to settle matters informally, I issued a provisional decision. In summary, I said I was intending to uphold the complaint and award Mr S a further £400 in addition to the £70 Halifax had already paid him, as well as ask it to remove any negative markers related to this complaint from his credit file. In summary, I said this was for the following reasons:

- In my view, Halifax made an error in that it didn't communicate to Mr S sooner that his direct debit mandate was likely to have expired prior to it trying to take payment. On balance, I don't think Halifax cancelled the direct debit without Mr S's consent, but rather I think it's more likely than not that his direct debit became inactive due to it not being used for a long time. The information sent to us from Mr S's bank showing the direct debit relating to card1 had been inactive since 2019, supports this view.
- As noted in my provisional decision, in order to protect consumers who may not remember to cancel direct debit arrangements which are no longer needed BACS (Bankers' Automated Clearing Services) – the governing body that regulates direct debits – created a 'dormancy rule'. The dormancy rule means that if a direct debit has been inactive for a certain period, then it will be removed from the system. This is to prevent companies from taking money from a customer's account without permission.
- According to Halifax's own terms, which I note only appear on its website under 'frequently asked questions' rather than incorporated as part of its terms and conditions, says a direct debit is likely to become inactive after a period of 37months. I'm unsure how Halifax arrived at this timescale because in most cases, under the BACS scheme the 'dormancy rule' usually gives a much shorter period of around twelve months. However, even if I accept 37months is the timescale, I can see that Mr S hadn't used his card for a much longer period than this (around 42months). Despite this Halifax tried to take payment on 21 September 2023. And his August 2023 statement incorrectly said that the payment would be via direct debit despite this method being inactive by this point.
- I think the onus was on the service user (Halifax in this case) to ensure that if it was going to present a direct debit for payment after more than its own 'dormancy' timescales, it should have asked Mr S to either set up a new direct debit instruction or arrange payment in another way.
- Taking all of the above into account, I think Halifax could have anticipated Mr S's direct debit in relation to card1 would have failed due to it being inactive. And I don't consider Halifax should have told Mr S in his August 2023 statement that it would be collecting a payment via a direct debit. I considered it was likely that if Mr S had been told earlier he would have set up a new direct debit mandate, or at the very least, arranged another form of payment.
- As a result of not setting up the payment for the August statement, which was due to be taken in September 2023 but failed, this had a number of consequences for Mr S including missed payment markers on his credit file; a payment rejected in a retail shop when trying to use card1 causing him embarrassment; he had to go through an underwriting process in order to get his credit limits on both his Halifax credit cards restored; and this caused Mr S distress and inconvenience.
- I appreciate Mr S says he didn't receive Halifax's letter in September 2023 telling him he missed a payment but looking at his contact communication preferences this is set at 'paperless'. Halifax said this means all documents are available via Mr S's digital mailbox. So, I consider it's likely the letter was sent to him via his preferred means of communication. But even if Mr S had received this letter, I just don't think it was made reasonably clear to him that Halifax hadn't cancelled the direct debit. This is important as it caused Mr S unnecessary confusion about the whole situation.
- I want to make it clear to Mr S that I have considered all the submissions he has sent to us including the letter he received from his bank in January 2025, which he says is an example of a way a bank should operate under similar circumstances to the present case. But taking everything into account as I've set out above, I consider compensation of an additional £400, and the removal of any non-payment markers related to this complaint is a fair and reasonable way to resolve this matter. Halifax has also said it is willing to apologise for any distress and inconvenience it has caused in any settlement letter sent to Mr S. I think this is fair and I won't be asking it to do anything further.

Halifax agreed with my provisional decision. It added that my award was in addition to the £70 it had already paid Mr S.

Mr S disagreed with my provisional decision stating he should be awarded at least £750 for the distress and inconvenience caused by Halifax. Amongst other things, he wanted to make it clear his complaint was that Halifax had cancelled his direct debit without cancelling the credit card and this caused him financial loss; he disagrees with the level of compensation; he noted that evidence was no longer available to support his case; he didn't want his illness named in a published decision; he didn't understand why Halifax stated a longer period than BACS in terms of the dormancy rules; he noted my outcome had changed from my initial thoughts that I had shared with him before my provisional decision; and he thinks Halifax should write to his home address with any important communication regardless of his stated communication preferences.

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.

Having reconsidered everything including Mr S's further submissions which I've carefully read and taken into account, I remain of the view that this complaint should be upheld. And I remain of the view the compensation I have recommended of an additional £400 is fair and reasonable under all the circumstances for the same reasons as set out in my provisional decision, which I've summarised above and now forms part of my final decision.

Before I deal with some of Mr S's points raised in response to my provisional decision, I think it's important to say that whilst I've carefully noted all his representations, I won't be addressing every single point he's raised. Instead I've concentrated on the issues I think are central to the outcome of his complaint. In response to some of the further submissions made by Mr S, I will add the following reasoning for reaching this final decision which should be read in conjunction with the reasons I've set out above:

- Mr S reiterated his complaint was that Halifax had cancelled his direct debit but hadn't cancelled his credit card at the same time which is why he suffered financial loss. But as I've set out above, on balance, I do not think that Halifax cancelled the direct debit. Even if I'm wrong about this, I don't think there was any requirement on Halifax to cancel Mr S's credit card if his direct debit had been inactive or indeed, cancelled. As I've said above, what I think it should have done was communicate to Mr S that his direct debit was likely to have become inactive due to the dormancy rules before it tried to take payment.
- I appreciate Mr S doesn't understand why Halifax says the dormancy period is longer than that set out by those suggested by BACS. But I think the important point here is that the timescale even by Halifax's own terms meant it should have let Mr S know his direct debit was likely to be inactive due to the dormancy rules.
- I know Mr S disagrees with the level of compensation I have awarded which is £400 and this is in addition to the £70 Halifax has already paid him. Deciding fair compensation is not an exact science – but I have thought about whether £470 in total, is fair in the circumstances. In doing so I have taken into account the inconvenience caused to Mr S including him having to go through the underwriting process to restore the credit limits on his credit cards and having his payment declined in a retail store. I've also considered the distress, upset and worry he has suffered over a number of months; and the impact this issue has had on his health. But I've also balanced this with the fact Halifax did update Mr S one day after it was unable to take the payment, providing him with some general reasons for why this may have happened. It also refunded him the interest he'd been charged because of

the late payment. And whilst Mr S was upset about not being able to use his credit card in a retail shop, he was still able to make a payment using other forms of payment. In light of these considerations, I'm still of the view that a total of £470 is fair compensation. More information about our approach to awarding compensation can be found at 'Compensation: Financial Ombudsman Service – Financial Ombudsman service'.

- Mr S said that there would have been more evidence to support his position if this matter had been settled earlier. But I've fully taken into account Mr S's testimony on this matter including what he says he was told over the phone by his bank about it not being responsible for cancelling the direct debit. So, in the absence of this call and any other evidence Mr S thinks is relevant, I have relied on his testimony. And having done so, I don't think it would have changed what I think is fair compensation in this case.
- I note what Mr S says about how Halifax should communicate with him. But he will need to speak to Halifax directly about his communication preferences.
- I take on board what Mr S said about my initial thoughts prior to my provisional decision. My role is to look at things informally. When I get further information, which I did in this case, I have to reconsider whether this changes my mind. So, whilst my initial thoughts were that I thought Halifax's offer of £300 was fair compensation in addition to the £70 it had already paid, I reconsidered my position based on the further information I received and all the evidence up to that point. If Mr S remains dissatisfied with my decision, he can still pursue matters through more formal avenues such as a court if he wishes.

For all these reasons, I'm upholding this complaint.

My final decision

My final decision is that I uphold this complaint and I require Bank of Scotland plc trading as Halifax to pay Mr S a total of £470 deducting anything it has already paid him – I understand it has already paid Mr S £70. Bank of Scotland plc trading as Halifax must also remove any negative markers relating to this complaint from Mr S's credit file. As Bank of Scotland plc trading as Halifax has agreed to apologise for any distress and inconvenience caused, it should do so in any settlement letter sent to Mr S

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 March 2025.

Yolande Mcleod
Ombudsman