

Complaint

Miss T says that Bank of Scotland plc (trading as “Halifax”) unfairly removed her overdraft, closed her account and recorded a default on her credit file.

Background

Halifax has already agreed that it unfairly allowed Miss T to continue using her overdraft from February 2019 as it had become unsustainable for her. It agreed to remove all the interest, fees and charges it added to Miss T’s account balance prior to closing it in 2023. Miss T remained dissatisfied at matters and referred her complaint to her service as she wanted her account reopened and the default placed on her credit file removed rather than backdated to February 2019.

One of our investigators looked into Miss T’s concerns. He thought that what Halifax had already done to put things right for Miss T was fair and reasonable in all of the circumstances of Miss T’s complaint. So he didn’t uphold it or ask Halifax to do anything further. Miss T disagreed with our investigator’s assessment and the complaint was passed to an ombudsman for a final decision.

My findings

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

Having carefully considered everything provided, I’ve decided not to uphold Miss T’s complaint. I’ll explain why I’ve done so in a little more detail.

In the first instance I note that Miss T has said she’s unhappy about charges Halifax may, or may not, have added to her account during the pandemic. However, I cannot consider what happened at this stage, as Miss T didn’t refer her complaint within six months of the final response she received, in response to her complaint about these matters, in May 2021.

All I can consider is the position in relation to Miss T’s account in March 2023 and whether Halifax acted fairly and reasonably. The information I’ve been provided with shows that by March 2023, while it’s fair to say that wasn’t by a huge amount, Miss T had nonetheless been overdrawn by more than the amount of her £700 limit for a period of time. I know Miss T has questioned why she was charged interest at this point as she had an interest free overdraft of £700.

However, the fact that Miss T had exceeded her overdraft limit is what led to her being charged interest at this stage. I can appreciate why Miss T is unhappy about the information Halifax has reported to credit reference agencies and I understand why she is concerned about this as well as being unhappy that her account was closed. But I don’t think that it would have been fair and reasonable for Halifax to have continued ignoring Miss T being over her agreed overdraft limit indefinitely.

I note what Miss T has said about her account being closed during the pandemic. But Miss T's account was closed in April 2023, which was sometime after the pandemic and any temporary measures that might have been in place had ended. In any event, I don't think it would have been fair, reasonable or proportionate for Halifax not to take action. So by this stage, I would have expected Halifax to have taken corrective action in the way that it did.

After all while withdrawing a facility and recording a default or other adverse information, might be viewed negatively by other lenders, it does offer the borrower certain protections in relation to the overdraft debt – for example it stops interest and further charges being added.

Equally, asking Halifax to remove the default here and record that Miss T never defaulted, particularly in circumstances where all parties agree that the facility should have been terminated in February 2019 and the default has been backdated, would arguably be counterproductive and not in Miss T's interests or that of any future lender. Bearing this in mind, I'm satisfied that it was fair and reasonable for Halifax to begin the process of taking corrective action in relation to Miss T's overdraft when it did in March 2023.

As this is the case and Miss T didn't respond to Halifax's final demand or the notification letting her know that her account was going to be closed (which were sent in March 2023 and April 2023 and both correctly addressed using Miss T's address details) and take any steps to repay what was owed, I'm satisfied that Halifax was entitled to close Miss T's account and register the default it did on her credit file. Albeit this default has now been backdated to February 2019.

So overall and having considered everything, I'm satisfied that what Halifax has agreed to do in refunding the charges added from February 2019 and backdating the default, is fair and reasonable in the circumstances. This means I've not been persuaded to uphold Miss T's complaint. I appreciate that this will be very disappointing for Miss T. But I hope that she'll understand the reasons for my decision and at least feel that her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 21 April 2025.

Jeshen Narayanan
Ombudsman