

The complaint

Mr D complains that Bank of Scotland plc trading as Halifax applied interest to his current account's overdraft unfairly.

What happened

Mr D held a Halifax current account with an arranged overdraft limit of £2,000. In 2022, Mr D entered into a repayment agreement with several creditors through a debt charity. Part of the proposals included the overdraft, but Halifax said it wouldn't accept the plan without defaulting the account. Mr D didn't want his account to default, so it wasn't included in the plan and he continued to use the account.

In 2025, Mr D repaid the overdraft and complained to Halifax that if it had accepted his repayment proposal, it would have recorded adverse information on his credit file. Instead, it had continued to apply interest, which cost him a significant amount of money. Mr D has since repaid his overdraft and asked Halifax to refund the interest he paid on it since 2022.

Halifax didn't uphold the complaint, saying its process for offers to repay borrowing over more than 12 months is to close the account to its recovery department. As Mr D's offer to repay the overdraft wouldn't have repaid it in 12 months, his account would have been closed. As he didn't want that option, the interest applied to his overdraft had been correctly applied.

Unhappy with Halifax's response, Mr D referred his complaint to our service. One of our Investigators reviewed it but didn't uphold it. The Investigator said the option Mr D had put forward as affordable wouldn't have cleared the overdraft, and Halifax had followed its process correctly.

Mr D said he wasn't made aware that Halifax could have offered a different option for less than 12 months and felt Halifax should have offered more assistance. So, this has come to me for 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.

My role here is to decide whether Halifax made an error here and, if it did, what it should do to put things right. I have no power to tell Halifax to change its processes.

Mr D is unhappy Halifax wouldn't accept his repayment proposal without defaulting his account, but Halifax is entitled to decide whether to accept a repayment offer or not. Here, Halifax said it would accept the offer if the account was defaulted – and interest and charges are only permanently suspended when an account is defaulted. So, I've seen no evidence to suggest Halifax's response to the 2022 repayment offer was unreasonable.

Halifax was prepared to accept a repayment plan at a level Mr D said was affordable and sustainable, and given this is what Mr D said he could afford via a debt charity, I don't think it was obliged to go back with a counter-offer of a shorter-term plan with higher monthly payments (to possibly avoid the account defaulting).

Mr D says Halifax should have done more to help and has provided a list of good practices for lenders when customers repeatedly use their overdrafts, including repayment plans, reducing or waiving interest and charges. However, the guidance Mr D has referred to sets out things a firm should consider doing depending on the circumstances of its customers – it does not say Halifax must do those some or all of those things. The guidance also sets out an obligation for Halifax to notify Mr D of the ongoing cost of his overdraft, and it fulfilled this obligation by writing to him to outline this and the options for seeking further advice.

Whilst Halifax could have done more by waiving or refunding interest or charges, I don't think it was obliged to. The terms and conditions of Mr D's account set out the overdraft is interest-bearing. As his account continued to be used and was operating within its agreed overdraft limit, I don't think it was unreasonable for Halifax to continue to apply interest in line with the terms and conditions of Mr D's account. Asking Halifax to refund interest paid on the overdraft since 2022 would effectively mean asking Halifax to let Mr D operate outside of the terms and conditions of his account and borrow money at no cost to him over a long period. As this is an interest-bearing overdraft, a bank would normally only permanently suspend interest or charges if the account is recorded as in default. So, I don't think Halifax was obliged to offer to refund or waive interest or charges.

Overall, I don't think Halifax has treated Mr D unfairly or that it's obliged to refund any interest paid on his overdraft.

My final decision

I realise my decision will disappoint Mr D, but I have not upheld his complaint for the reasons set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 21 July 2025.

Victoria Blackwood
Ombudsman