

The complaint

Mr A complains that Bank of Scotland plc, trading as Halifax, has charged him the wrong interest rate for his loan.

What happened

Mr A applied online for a loan with Halifax; the application was accepted. The funds were drawn down and, as I understand it, Mr A used the money.

Very quickly after drawing down the loan, Mr A complained to Halifax; he thought the wrong interest rate had been applied to his loan, and that the bank was charging him much more than it should. Mr A said his loan was offered at a rate of 6.5%, but Halifax had actually applied a rate of 17.9%.

Halifax, in response to Mr A's complaint, said that it had applied the correct rate to the loan. It explained that rates shown on its website, before application, aren't guaranteed. Instead, these are illustrative rates – essentially, representative examples – to demonstrate how a loan works. Halifax set out that when Mr A applied, it had offered him a personalised rate – 17.9% – and that this rate would remain in force until the end of his loan.

Additionally, Halifax investigated a call Mr A had held with a member of staff. Mr A asserted that he'd been told the interest rate could be changed, down to the lower rate he believed it should be. Halifax disagreed and said that its agent hadn't given this impression; rather, they had only explained how Mr A's complaint would be investigated. Some further correspondence between Mr A and Halifax followed, but nothing resolved the matter to Mr A's satisfaction. In January 2025, Mr A approached this Service for an independent review.

An Investigator here considered what had happened; having done so, they didn't think Mr A's complaint should be upheld. In summary, the Investigator said:

- It's not uncommon for lenders to use illustrative, or representative, rates when advertising products like personal loans. That doesn't mean, though, that the illustrative rate is the rate which will apply if the credit application is approved.
- The loan application journey would've contained points which set out the specifics of Mr A's loan; Mr A would've been asked to tick a box, or e-sign, to agree to aspects like the interest rate, loan amount and loan term.
- Unfortunately, Halifax hadn't been able to supply a recording of the call in which Mr A asserts he was told the interest rate could be changed. Even so, some internal notes – created as part of Halifax's review into Mr A's complaint – didn't indicate to any degree that the bank had agreed to amend the interest rate.
- Mr M was unable to make use of the cancellation rights afforded to him in the loan agreement; he'd already spent the money.

- Halifax had since agreed some forbearance measures with Mr A to help him with repayments. That was the right course of action to take, and Mr A should keep in contact with Halifax to discuss his circumstances.
- Overall, there wasn't enough persuasive evidence to support anything other than a misunderstanding over illustrative and personal interest rates. That was unfortunate, of course, but nothing suggested Halifax had done something wrong here.

Mr A disagreed. He largely reiterated his previous points but emphasised the call he'd held with Halifax. Mr A's view was that Halifax was, essentially, trying to hide that it had offered to reduce the interest rate, admitting that a fault had occurred. Our Investigator reconsidered in light of Mr A's comments but, for much the same reasons I've summarised above, wasn't persuaded to change their mind. So, as no agreement has been reached, Mr A's complaint has been passed to me to decide.

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.

At the outset, I think it worth recognising that Mr A clearly harbours significant strength of feeling over what happened here. That's entirely understandable, of course, but also means that it's important for me to be clear on what I've considered, and how.

First, I've focussed only on the crux of the matter; put simply, I haven't gone into substantial detail or commented on each and every point. I mean no discourtesy in my approach, and that doesn't mean I haven't taken account of everything both parties have said and provided. Instead, our role is to be informal; my approach here is simply to align with that purpose.

Additionally, where evidence is incomplete, inconclusive or limited – as it is here, where I'm specifically referring to the lack of a phone call recording – I must reach my decision about the merits of the complaint on the balance of probabilities. In other words, what I consider is *most likely* to have happened in the light of the available evidence and the wider circumstances.

Turning to the merits of Mr A's complaint, it's clear that he genuinely believed the interest rate for his personal loan was 6.5%; I don't doubt that. Even so, it's also the case that I'm not persuaded Halifax has done something wrong either. Instead, what I think has happened here most likely comes down to a misunderstanding.

Having reviewed the available evidence, there's nothing to persuade me that Halifax offered this loan at a rate of 6.5%. The credit agreement doesn't stipulate that rate, none of the supporting loan correspondence issued to Mr A supports that rate; and, finally, I don't have any evidence that the wrong rate was displayed to Mr A when he applied online. So, on balance, I can't fairly conclude that Halifax applied the incorrect rate to Mr A's loan. In my view, it's most likely that Mr A misinterpreted an illustrative rate as being the exact rate he'd be offered. On that basis, it wouldn't be reasonable of me to direct Halifax to reduce Mr A's interest rate to 6.5%.

Mr A has placed considerable weight on a phone call he says took place with Halifax, in which he says the bank's agent suggested, or essentially confirmed, that the interest rate could be changed. I don't have a recording of that call and, while I know Mr A thinks it paramount to the outcome of the complaint, I'm satisfied that I can reach a decision without it. I say that because there are some internal notes from Halifax's complaints investigation which summarise the contents of the call; the notes provide no suggestion that an agent confirmed, or indicated, the interest rate could be changed. Mr A will, no doubt, dispute that

– but I’ve no reason to disbelieve the evidence I have, and if I put it alongside what I consider *most likely* to have happened here, I’m not persuaded that Halifax’s agent did say that the interest rate could, or would, be changed.

For completeness, I’ll say that even if Halifax’s agent did indicate such an amendment could be made, that doesn’t categorically mean I’d consider it fair and reasonable for the bank to do so. Instead, while that would, of course, be poor service from Halifax, it doesn’t change the fact that there’s no supporting evidence to suggest Mr A’s loan was ever offered at 6.5%. Without that I wouldn’t be inclined, even if I had evidence that an agent *did* tell Mr A the interest rate could be changed, to require Halifax amend it.

Aside from that, I am sorry to hear of Mr A’s current financial situation and his health issues; I do hope that things improve for him soon. I’ve noted that Halifax has provided the contact details for its team which deals with assisting customers in such circumstances; I saw too that the bank has waived interest charges previously. That’s the right thing to do, and I’d certainly encourage Mr A to keep in regular contact with Halifax about his overall position. Should Mr A become unhappy with any future forbearance measures or general assistance – or a lack of them – then he can complain to Halifax about that separately.

In closing, I’m sure Mr A will be disappointed by what I’ve set out here – this isn’t the answer he’ll be hoping to receive. That said, while I am sorry to disappoint Mr A, for the reasons I’ve explained, I can’t fairly determine that Halifax has done something wrong. The evidence I have available simply doesn’t support that conclusion. Overall, given what I think most likely occurred here, I don’t require Halifax to take any further action; it follows that I don’t uphold this complaint.

My final decision

My final decision is that I don’t uphold Mr A’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr A to accept or reject my decision before 2 July 2025.

Simon Louth
Ombudsman