

The complaint

Mr H complains Bank of Scotland plc trading as Halifax unfairly defaulted his credit card account.

What happened

In late 2023, Mr H fell into financial difficulty. He continued making payments towards his credit card account until January 2024.

In February 2024, after Mr H contacted Halifax about his circumstances, it agreed to place the account on hold for 30 days. Following the end of the 30 day hold, Halifax issued a default notice on 25 March 2024 requesting a payment of £380.96 by 10 April 2024.

At this point, Mr H contacted Halifax again and explained he wouldn't be able to make payments towards the account until mid-May so a further 30 day hold was applied.

After receiving no further contact or payments, Halifax issued a final demand on 16 July 2024 requesting payment of the arrears totalling £841.84. And on 5 August 2024, it wrote to Mr H stating that as the account wasn't brought up to date it ended the agreement and will register a default with credit reference agencies. Unhappy with its actions, Mr H raised a complaint.

Halifax explained that as it didn't receive payment bringing the account up to date following its notice of default in March 2024 and final demand in July 2024, it defaulted Mr H's account in line with its process. It also mentioned if the full balance is cleared on the account it would report the default as satisfied.

Our Investigator looked into the complaint and didn't uphold it. They said Mr H didn't contact Halifax or make payment to clear the arrears after the second 30 day hold ended, or before the default was added following the final demand letter, so felt the default was fairly recorded.

Mr H disagreed. He said, in summary, he didn't receive the final demand notice dated 16 July 2024 and the first notification he received regarding the status of his account was the letter dated 5 August 2024, after which he cleared the full balance. He also said Halifax failed to notify him via all communication methods despite having his contact details, and believes it breached the Financial Conduct Authority's (FCA) rules.

As Mr H remained unhappy, the case was passed to me to make 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.

Firstly, I've carefully considered everything both parties have said, if I don't directly reference something in my decision it is not because I've not given this consideration. But I've focused on what I consider to be the crux of the complaint.

It may be helpful to explain that we're not the regulator and our role isn't to tell a business how it should run its policies and procedures, including how they send important notices to its customers. Our role is to decide whether Halifax has treated Mr H fairly in all the circumstances of the complaint. And when considering what is fair and reasonable, I've taken into account the relevant laws and regulations, regulator's rules, guidance and standards and codes of practice and what I consider to have been good industry practice at the time.

Mr H says Halifax has breached parts of the FCA's Consumer Credit Sourcebook (CONC) rules, specifically CONC 7.3 on how firms should treat customers in arrears. He also referred to Principle 6 of FCA's Principles for Businesses, which says a firm must pay due regard to the interest of its customers and treat them fairly. So I've kept these in mind when considering Mr H's complaint, along with the FCA's Consumer Duty introduced as a new standard from 31 July 2023 which sets a higher standard than Principle 6.

The terms and conditions of Mr H's account allow Halifax to close the account immediately if he has seriously or repeatedly broken the agreement. Whilst I appreciate Mr H was given two 30 day holds (February 2024 and April 2024) after he contacted Halifax about his circumstances, I can see the last payment on the account prior to the closure was December 2023, and I've seen no evidence that a payment arrangement was agreed following the end of the 30 day hold in May 2024. So I don't think Halifax acted unfairly in ending Mr H's agreement in August 2024.

Halifax has provided the default notice it issued to Mr H in March 2024 and the final demand from July 2024 – which I'm satisfied made clear the consequences of no contact or payment. I realise Mr H says he didn't receive the July 2024 letter from Halifax. I'm required to decide if I think Halifax has done anything wrong. In Mr H's case, I can see from Halifax's system notes the letter was sent. In the circumstances, I can only say Halifax has done something wrong if I'm satisfied the evidence shows that. The evidence I have shows the letter was sent and correctly addressed. Why Mr H didn't receive it I can't know, but for the reasons mentioned above, I'm satisfied it was sent and I can't hold Halifax responsible for non-receipt. It's also worth noting that it's standard practice for such notices to be issued via post and as Mr H has successfully received other letters from Halifax, I don't think it did anything wrong in issuing correspondence via this method.

I note Mr H feels Halifax should have also used other channels of communication to notify him of the impending default. I've listened to the call Mr H had with Halifax in April 2024 when the second hold was applied. In the call, he refers to a letter he received about the arrears on his account, so it seems he received the default notice Halifax issued in March 2024. And even if this wasn't the letter he was referring to, it's clear Mr H was aware he was in arrears and needed to bring his account up to date.

During the April 2024 call, Halifax explained that Mr H's hold would end on 10 May 2024 and mentioned *"...it is important you get in touch with us as soon as the 30 day hold ends, if you don't do this we may close down your account if you are behind and this could lead to a default on your credit file for six years..."* And Mr H confirmed he understood this. Therefore, I think Halifax took reasonable steps to make Mr H aware he needed to take action and the consequences of not doing so. And from the evidence I've been provided with, I can't see Mr H contacted Halifax or cleared the arrears until August 2024, after it had issued the letter in August 2024 notifying him that a default would be applied to his account.

I've also seen Mr H's statements which set out his arrears position each month. The statement issued on 13 May 2024, after his 30 day hold ended, details the arrears amount and warns Mr H, *"If you don't get in touch soon or we don't receive the payment, we'll end your credit card agreement with us and close your account. Ending your agreement in this way is called a 'default'. It's registered with the Credit Reference Agencies and can affect your credit score. If this lowers your score it could make borrowing in the future more difficult."* So I'm satisfied Mr H was notified of Halifax's intention to apply the default.

Mr H's statements show he failed to make payment towards his account in June and July 2024 after the 30 day hold ended in May 2024. And I think Halifax gave Mr H a reasonable time to contact it or clear the arrears before taking further action. I can see Mr H did make two payments to clear his balance in August 2024, but this was after Halifax ended the agreement and said it would be reporting the default.

Halifax has provided the information it reported to credit reference agencies in relation to the default and this shows the date of the default is 5 August 2024 – 20 days after the final demand letter. I understand Mr H has said it took around seven to eight weeks after he cleared the full balance for Halifax to report the default to credit reference agencies, but updates to credit files can take up to eight weeks so this could have been the reason Mr H wasn't able to see the default sooner. But I'm satisfied the date shown is 5 August 2024.

The reporting information I've been provided with also shows – as Mr H cleared the arrears in August 2024 – Halifax has reported the default as satisfied with a zero current balance. Lenders have a duty to report information fairly and accurately to credit reference agencies. And from what I've seen, I think the default is an accurate reflection of Mr H's account with Halifax. So, it wouldn't be reasonable for me to ask it to remove it.

I recognise Mr H will be disappointed with this outcome and appreciate he has cleared the balance in full, but I'm not persuaded Halifax has done anything wrong here so I won't be asking it to take any action.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 October 2025.

Tania Henry
Ombudsman