

The complaint

Mrs H complains that Bank of Scotland plc trading as Halifax UK has charged her interest on her overdraft account, while she has been a student.

What happened

Mrs H took out a current account with Halifax in 2012; and in 2014 she went to college. In 2013, the account was converted into a student account. In 2016 Mrs H went to University and in 2018 the course finished. In 2021, Mrs H became a student again and is due to graduate in 2026.

Mrs H complains that since around August 2022, she has been charged daily interest on her student overdraft facility, when she doesn't think she should have been because she is a student. To put things right, Mrs H wants Halifax to refund the interest she has been charged on the overdraft.

Halifax responded to Mrs H's complaint and upheld it in part. It paid her £60 for some poor service she said she received in branch. However, in relation to her account changing from a student account, to a normal current account, thus incurring interest on the overdraft balance, it didn't think it had done anything wrong. Halifax explained to Mrs H that she had held a student account for longer than the maximum time that its terms and conditions allow. And so while it made a mistake in allowing it for longer than it should have, it hasn't been to Mrs H's detriment and so it didn't take any further action to put things right for Mrs H.

An Investigator considered the information provided by both parties, but they decided not to uphold the complaint. They explained that Mrs H had received the benefit of the student account for longer than Halifax's terms and conditions allow. They also explained that Mrs H had been sent regular letters about the interest free overdraft limit amount, and it had sent her a letter to let her know that the student account was due to be changed to a current account in August 2024. The Investigator also felt the £60 Halifax had paid Mrs H was enough to put things right for the service she received in branch.

Mrs H didn't agree with the Investigator's view. I have summarised her main points below:

- She hadn't ever been told that there was a limit to how long she could have a student account. This should have been made clear to her.
- She has spoken to between 10-15 representatives at Halifax, each provided different and conflicting guidance. During this time, Halifax charged £200-£300 to her account in interest.
- The compensation Halifax has provided isn't enough to reflect that she had been misinformed, misled and financially disadvantaged due to Halifax's poor communication. Mrs H believes she should be refunded the full amount that was charged to her account.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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.

I think it's important to firstly explain that I've read and considered all the information provided by both parties in reaching my decision. If I've not reflected something that either party has said or commented on a piece of information that's been provided, that's not because I haven't seen it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended to be a discourtesy to either party. Rather, it reflects my informal role in deciding a fair and reasonable outcome. Having considered all of the information provided by both parties, I've decided not to uphold Mrs H's complaint.

I have looked at the terms and conditions of Mrs H's student account. These explain that the maximum time a customer can have a student account is for nine years. Mrs H had a student account for longer than this, whereby balances up to certain amounts were on interest free. I'm satisfied that it wasn't unfair or unreasonable of Halifax to change the terms of the overdraft into a normal interest bearing overdraft facility where the length of time Mrs H had the account exceeded what it normally provided.

I don't know what the terms and conditions were when Mrs H first opened the account – it's possible there might not have been a limit to how long someone can hold a student account or the limit might have been less than it is currently. But terms and conditions change over time, so what might have been applicable in 2013, might not be now. I'm satisfied that the most recent and up to date terms and conditions do provide a time limit of nine years, and so I'm satisfied that Halifax has treated Mrs H fairly here, and the same as other customers in a similar position.

I can see that Halifax sent Mrs H various letters over the years about the changes to the interest free limit on her account. And I can see that in May 2024, it wrote to Mrs H to let her know that it was changing her account from a student account, to a current account. It also explained that this meant she would be charged interest on the full overdraft amount, and it explained what rate this would be charged at. So, I'm satisfied that Mrs H ought to have been aware at this point that her overdraft balance would start to incur interest from 1 August 2024.

I have noted that Mrs H said she was told different things by different agents – whereby some asked her to provide evidence of her student status, and others were calculating the interest that they thought should be refunded to her. While I can understand that it must have been frustrating and inconvenient for Mrs H to have spent time speaking to people on the phone and providing documents in branch, I'm not persuaded this means that she ought to have her student account reinstated, or her overdraft on an interest free amount.

I think what Mrs H has lost out on here is a loss of expectation that her student account might be reinstated. And that she might be due a refund of some of the interest she was charged after August. I can also see that she's spent time speaking to agents about her account, which I understand she's said she's received conflicting information. I've thought about this carefully and I'm satisfied that the £60 Halifax has already paid Mrs H has fairly compensated her for the inconvenience and loss of expectation here – I say this after having taken into account what happened alongside this Service's normal approach to distress and inconvenience awards.

I'm not persuaded Halifax needs to refund Mrs H any of the interest it has charged her. It explained to her in the letter from May 2024 that she would be charged from 1 August 2024, which is what's happened. She's also had the benefit of balances on interest free amounts for longer than she should have. So I don't think Halifax needs to do anything more in terms of refunding interest.

My final decision

For the reasons set out above, I don't uphold Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 14 November 2025.

Sophie Wilkinson
Ombudsman