

The complaint

Miss O complains that Bank of Scotland plc, trading as Halifax, acted out of accordance with her account terms and conditions when reducing the credit limit on her account with immediate effect.

What happened

On 7 February 2025, Halifax sent a letter to Miss O explained that they would be closing her credit card account in 60 days' time and reducing the credit limit available to her on her account from £2,400 to £75 with immediate effect.

Miss O wasn't happy about this and felt that the terms and conditions of her account included that Halifax should have provided 60 days' notice of any credit limit reduction. So, she raised a complaint.

Halifax responded to Miss O but didn't feel that they'd done anything wrong by administering her credit account as they had. Miss O didn't agree, and so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Halifax had acted unfairly by reducing the credit limit on Miss O's account without any notice and so didn't uphold the complaint. Miss O remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

I issued a provisional decision on this complaint on 9 July 2025 as follows:

I'm in agreement with Miss O that Halifax's terms and conditions regarding credit limit reductions are at best confusing and contradictory, and I'd strongly encourage Halifax to review their terms accordingly.

Specifically, I note that section B1 of Halifax's terms includes the following:

"We may change your credit limit at any time... We may reduce your credit limit. Section B8 explains in more detail when we may make this change and how we will tell you about it."

Section B8 then states:

"We will tell you in writing about any changes... The table below shows when we will tell you about different changes..."

The following table then includes:

“Change to your disadvantage... [We will tell you] At least 60 days before the change.”

It therefore seems to me that Halifax's terms and conditions are contradictory and confusing in this regard, given that they state that they can change a credit limit at any time, whilst simultaneously confirming that if they want to make a change that is disadvantageous for a customer, they must provide at least 60 days' notice to that customer.

Miss O argues that a reduction to her credit limit from £2,400 to £75 is a change to her disadvantage, and I accept her position in this regard and feel that by any reasonable standard it was to Miss O's disadvantage that she no longer had the larger line of credit available to her. Accordingly, I feel that Halifax should fairly have given 60 days' notice to Miss O that her credit limit would be reduced.

However, while I'm satisfied that Halifax haven't acted fairly by not providing 60 days' notice to Miss O before reducing her credit limit, I still feel that it was ultimately fair for Halifax to have reduced her credit limit as they did.

One reason I say this is because Miss O had never used the credit account in question, and by her own admission kept the credit line available to her as a potential source of funds for an emergency. Miss O also hasn't said that she had any intention of using the credit account, or needed to in the 60 days that were available to her before her account would have been closed by Halifax, as they'd explained in their letter to her.

Indeed, given that Halifax were committed to closing Miss O's account in 60 days' time, it may have been problematic for Miss O to have used that credit account, given that she would have been required to have cleared any balance she accrued by the date her account was scheduled to be closed. However, given Miss O's stated reason of maintaining the account as an emergency measure, I feel that Halifax should have given Miss O 60 days' notice, in line with their terms, which would have allowed Miss O time to either make alternative arrangements or reassess her financial position.

Miss O has also explained that she was told by Halifax that the credit limit reduction didn't have anything to do with her financial position, but was instead linked to their decision to close her account. But Halifax's 7 February letter does state that the reduction was implemented to prevent her from potentially falling into financial difficulty. And I feel that this point was confirmed by the fact that when Halifax undertook an assessment-upon-appeal of Miss O's financial position, they weren't willing to increase her credit limit from £75 because of the large amount of credit that Miss O held elsewhere.

In consideration of that point, it must be noted that credit providers such as Halifax have an obligation to not provide 'too much' credit to an account holder, so that if the account holder used all of the credit available to them, it might be difficult for that account holder to make contractually required payments to their creditors. In short, this means that Halifax weren't concerned about the amount of credit Miss O had spent, but by the amount of credit she could possibly have spent, and the impact that might have on her financial position.

This doesn't seem unreasonable to me and given that Miss O had a combined unused credit facility that was more than her annual income, I'd almost certainly have considered Halifax to have acted irresponsibly if they had increased Miss O's credit from £75 in knowledge of that fact.

All of which means that I don't feel that Halifax have acted unfairly here towards Miss O by reducing her credit limit as they did, given her financial position and the risk to Miss O that it

entailed. And while I accept that Halifax's terms and conditions meant that they should have provided Miss O with 60 days' notice that they would be reducing her credit limit, I feel that it was more important for Halifax to act responsibly – by reducing Miss O's credit limit – that for them to have acted in accordance with their poorly worded account terms. Although again, I would strongly encourage Halifax to review those terms, given their confusing and contradictory nature.

However, while I don't feel that Halifax should be instructed to take any form of corrective action here, such as reinstating Miss O's account (given that it has now been closed), I do feel that Miss O did incur some frustration and inconvenience that she reasonably shouldn't have incurred, had Halifax's terms and conditions been better worded.

Because of this, I'll be provisionally upholding this complaint in Miss O's favour and instructing Halifax to pay £100 compensation to her. In arriving at this amount, I've considered the trouble and upset that Miss O has incurred here, all of which could have been avoided had Halifax had clearer terms, alongside the general framework this service uses when assessing compensation amounts, details of which are available on this service's website. And, having done so, I feel that £100 is a fair amount.

Halifax responded to my provisional decision and explained that they had reduced Miss O's spending limit to £75, rather than her total credit limit. Halifax also referenced the letter they sent to Miss O which said that the spending limit would be reduced immediately and that the credit limit would be correspondingly reduced to £75 after 60 days.

Accordingly, I went back to Halifax and asked them to confirm that, having reduced Miss O's spending limit to £75, Miss O had still been able to utilise the full £2,400 credit limit she previously held, albeit in increments of a maximum of £75.

In response, Halifax said that they're system didn't have the functionality to reduce the spending limit and the credit limit at different times, despite their letter explaining that the spending limit would be reduced immediately and the credit limit reduced to match 60 days' later. Halifax also said that it wouldn't make sense to notify an account holder that their credit limit would be reduced, then allow them to utilise the higher, prior credit limit for 60 days, despite their terms and conditions stating that Halifax should provide provision of 60 days' notice for a credit limit reduction.

Halifax's position on this matter appears nonsensical and confused, and I again strongly encourage Halifax to review their terms and conditions surrounding this matter. Ultimately however, Halifax have confirmed that they did reduce Miss O's credit limit without providing a 60-day notice period of their intention to do, and because of this I'm satisfied that the position I reached in my provisional decision above remains valid. Accordingly, my final decision here is that I uphold this complaint in Miss O's favour on the basis as previously described in my provisional decision.

Putting things right

Halifax must pay £100 to Miss O.

My final decision

My final decision is that I uphold this complaint against Bank of Scotland plc, trading as Halifax, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 11 September 2025.

Paul Cooper
Ombudsman