

The complaint

Ms P complains Bank of Scotland plc trading as Halifax ('Halifax') misapplied a repayment plan to her unsecured personal loan, causing her difficulties with her credit file and finances.

Ms P is unhappy with how Halifax have tried to put things right, and seeks further compensation.

What happened

Halifax agreed they'd applied a repayment plan of £25 a month to Ms P's personal loan instead of her overdraft. This meant Ms P's loan fell into arrears and her credit file was impacted.

To put things right Halifax put Ms P on a repayment plan which covered her loan instalments and a contribution towards her arrears. During the repayment plan, Halifax agreed to waive interest on the loan. Halifax agreed to remove negative entries from Ms P's credit file and monitor this going forwards. Halifax paid Ms P £400 compensation for her distress and inconvenience.

Ms P contacted Halifax again as she'd noticed ongoing adverse credit reporting, which came at a terrible time as she needed to refinance a car and apply for a mortgage. Ms P was reliant on her car for work and for attending her son's wedding. Halifax agreed to remove the negative reporting, and paid Ms P a further £750 for her distress and inconvenience. Halifax extended the term of Ms P's loan which meant her account wouldn't be reported as being in arrears going forwards.

Ms P was unhappy with the resolution provided and asked the Financial Ombudsman Service to investigate. Our investigator thought Halifax's resolution was fair because although there had been several issues over a long period of time, they'd paid £1,150 compensation for Ms P's distress and inconvenience and waived around £1,900 interest on her account.

Ms P sought an ombudsman's decision. She didn't agree the interest waived counted as compensation as it was part of how Halifax corrected a situation they'd created. She thought Halifax should pay her £5,000 – the amount she'd borrowed from family to repay her car finance – and pay interest on this amount. Ms P also sought an apology, confirmation that her credit file would be amended, and further compensation for her distress and inconvenience.

My provisional decision

I recently sent the parties my provisional decision, saying:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good

industry practice at the relevant time.

Having done so, I intend to say that Halifax have provided fair and reasonable compensation in response to Ms P's complaint. I'm minded to say the value of the compensation is in excess of what our investigator concluded, and I'm not minded to ask Halifax to do anything more.

I think it would be helpful to explain that the role of the Financial Ombudsman Service is to resolve individual complaints based on what is fair and reasonable in the circumstances of each case. So it is not for this service to interfere with a firm's processes, systems or controls. And importantly, it is not our role to fine or punish a business when they get things wrong. Those are considerations for the Financial Conduct Authority ('FCA'), as the regulator.

Whilst I'll comment generally, I should clarify that I don't need to make a detailed finding on every aspect of what happened as there is already an acceptance that the service Ms P received fell below the standards expected. I've therefore focused on whether Halifax's actions, and stance taken, are fair and reasonable in the circumstances of Ms P's complaint.

I'm aware Ms P has complained separately about how the mistake with her loan account has impacted her overdraft, so I won't comment further on the overdraft in this decision.

I'm minded to say it's fair that Halifax explored ways of Ms P paying back the arrears on her loan account. Although she didn't intend to underpay, Ms P didn't pay her full instalments for three months between October 2024 and December 2024. Ms P couldn't repay this in a lump sum.

In January 2025 Halifax explained Ms P could either pay more than her monthly instalment to clear the arrears in the term remaining, or she could extend the loan term. Halifax noted Ms P had not been charged interest on her loan for three months whilst on the £25 repayment plan, so this would likely cancel out the interest she'd be charged for extending the loan. Based on the information given at the time, I'm minded to say it's reasonable that Ms P wasn't confident that she wouldn't be charged more interest extending the term.

Ms P opted to overpay. This meant Ms P went on a further repayment plan, and Halifax agreed not to charge interest until the plan was over. Halifax confirmed the waived interest wouldn't be added back on when the plan ended. Halifax said Ms P's credit file wouldn't be impacted, but unfortunately the account automatically reported as being in arrears.

Ms P raised further concerns and in March 2025 Halifax decided it was appropriate to extend the loan term for two months so the account wouldn't be in arrears. I'm inclined to agree with our investigator that it would have saved Ms P distress and inconvenience if this had been explored with Ms P in more detail earlier, given Ms P had repeatedly raised concerns about her credit file.

I asked Halifax to confirm what's happened with Ms P's loan interest now her loan's been extended. Halifax said Ms P's interest wasn't restarted when she extended the loan, but they intend to restart interest on the loan in January 2026. This is at odds with Halifax's letter in April 2025 about interest restarting, but I am not minded to say this is unfair as the interest waiver is of benefit to Ms P. Halifax said that any interest that's been waived won't be added back on to Ms P's account.

I'm inclined to say this means over a year's worth of interest has been waived, and this has had a substantial impact on the overall amount of interest payable by the end of the loan agreement. Halifax confirmed that Ms P originally agreed to repay them interest of

£11,071.30 and will repay £6,809.46 if she adheres to her usual payment terms. So all going well, Ms P will not have to pay £5,411.84 of the agreed interest. For this reason, I'm not inclined to agree with our investigator that Ms P has saved £1,900 in interest as I think it is very likely to be considerably more than this.

I've considered Ms P's comments that waived interest doesn't count as compensation. I'm inclined to accept that some of the waived interest was necessary to put Ms P back in the position she should have been in had the error (and consequential term extension) not occurred. However, I am minded to say it's likely the waived interest far exceeds what would have been charged for the short-term extension. I think it's fair that I take this into account when assessing the overall redress that's been provided to Ms P.

Ms P seeks £5,000 plus interest from Halifax, because she had to borrow money from family when she couldn't refinance her car. I recognise the immense stress this matter has caused Ms P and that her proposal to put things right isn't mercenary, it's a reflection of what she feels is fair given her experience.

I can't punish Halifax for getting things wrong. To require Halifax to compensate Ms P for financial loss I'd need to be satisfied that this was caused by Halifax's mistake. I'm sorry to disappoint Ms P but I'm not minded to say that's the case here. Ms P was always going to have to pay for her car so I'm not minded to direct Halifax to buy it for her. As Ms P was always going to get finance for the car I can only look at whether she received less favourable repayment terms because of Halifax's credit reporting. I'm not currently persuaded there's evidence that borrowing from family was less favourable than a commercial alternative. And given lenders base their lending decisions on far more than a credit file, I can't say with confidence that Ms P would have secured finance if Halifax's credit reporting was different.

Ms P's unhappy that her credit score has diminished and hasn't been restored to what it was before. It may help Ms P to know that a credit score is a tool designed for individuals to gauge their financial standing and isn't used by lenders making lending decisions. I'm aware the previous negative entries on Ms P's credit file have been amended, and I'm not aware of ongoing adverse reporting for the loan.

Ms P seeks more compensation to fully recognise her distress and inconvenience. I've listened to the many long calls Ms P had with Halifax. I recognise the effort Ms P made to inform Halifax of her personal circumstances and the impact any errors on her credit file would have. I've taken into account Ms P's increasing dread that this error wouldn't be corrected in time to save her from anticipated financial disaster, and how hopeless she felt. It would be very difficult to persuade me that this wasn't a highly distressing few months for Ms P.

It is not easy to put a price on how much someone may have been upset or inconvenienced by an incident as these aren't quantifiable losses. I've consulted the guidelines the Financial Ombudsman Service applies when making awards for distress and inconvenience and I'm minded to say Halifax's payment of £1,150 is fair and reasonable and in line with our approach. I'm minded to say this sum fairly reflects Halifax's mistake caused Ms P substantial distress, upset and worry and serious disruption to daily life over many months. The parties can read more about how we approach compensation on our website.

Taking everything into account and looking at the overall redress provided, I intend to say that Halifax have provided a fair and reasonable outcome to Ms P's complaint. I don't intend to ask them to take further action on this occasion."

Responses to my provisional decision

Halifax didn't provide anything further for me to consider.

Ms P said if her credit record had been accurate at the time she wouldn't have paid the balloon payment for her car and would have upgraded it as originally planned by taking out a standard finance agreement. Ms P said that she was left with no choice but to borrow £5,000 from family simply to keep the car she relied on for work and family commitments. Ms P said this debt remains outstanding today and exists solely because of Halifax's mistake.

Ms P said the arrears meant she was unable to secure a mortgage and this led to a collapsed home purchase which affected her living arrangements. Ms P said her credit score was still recovering. Ms P said Halifax's error caused immense stress, panic and embarrassment, and overshadowed the occasion of her son's wedding. Ms P said the redress suggested didn't reflect the scale of the loss.

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.

After reviewing everything, I haven't changed my decision. I think Halifax have offered a fair and reasonable resolution to Ms P's complaint, and I won't ask them to do more. I'll explain why.

Our investigator asked Ms P to provide her credit file, but Ms P hasn't shared this because Halifax have amended what they're reporting. This means I can't check any ongoing errors or consider the rest of Ms P's credit file. I haven't seen evidence that potential lenders searched Ms P's credit file when Halifax were unfairly reporting arrears.

I wouldn't expect Ms P's credit file (or credit score) to look like it did before she asked Halifax for a plan with her overdraft. Halifax informed Ms P that that support measures would be applied to all the products she held with them, and this would be reflected on her credit file. So, I think it's likely Ms P's credit file would have been negatively impacted by "arrangement" markers in any event.

Ms P told Halifax she intended to sell her five-bedroom house but needed a mortgage to downsize with her husband and youngest child. Ms P said the mortgage had to go in her husband's sole name. Ms P now refers to renting and putting her possessions in storage, but I don't hold Halifax responsible for this. I say this because Ms P sold her property, thus changing her living arrangements, and I'm not persuaded I can fairly attribute Ms P's mortgage issues solely to Halifax reporting arrears rather than an arrangement marker.

I don't agree that Halifax's credit reporting meant Ms P incurred a debt of £5,000 she wouldn't otherwise have had to pay. During calls between the parties Ms P said she originally planned to gift her car to her child and buy a new car on finance, and she referred to needing to borrow money for the balloon payment. There's no evidence that borrowing from family was more detrimental than borrowing commercially. Even I'm wrong about this, and Ms P intended to hand back her car and take out a new finance agreement, I'm not persuaded there's evidence the car finance agreement would have been approved if Halifax had reported an arrangement.

I think it's important to highlight that different lenders have their own lending criteria and appetite for risk. It is very difficult to say with confidence that lending has been refused because of one aspect of a credit file and I would need persuasive evidence that was the case, to make that finding here. I am sorry to disappoint Ms P, but I don't agree there's

sufficient evidence that she made credit applications that were refused because of Halifax reporting arrears to her credit file rather than an arrangement.

I maintain that Halifax have provided fair redress here. If Ms P pays her loan as planned, she'll receive an interest discount of £5,411.84. Even if I ignore the interest waived during the repayment plan and the term extension, that's a considerable saving of interest for Ms P. Halifax amended Ms P's credit file and she's also been paid compensation of £1,150 which I think is a fair and reasonable sum to reflect what's happened.

I acknowledge this wasn't the outcome Ms P was hoping for, but I won't ask Halifax to do more.

My final decision

For the reasons I've outlined, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 6 January 2026.

Clare Burgess-Cade
Ombudsman