

The complaint

Mr J complains Bank of Scotland plc trading as Halifax (“Halifax”) have treated him unfairly by selling his debt to a third-party when he was in the process of obtaining medical information to demonstrate his worsening ability to repay.

What happened

Mr J had multiple accounts with Halifax. This decision refers only to Mr J’s loan account ending 4104. Mr J has another complaint I’m also considering, and the facts and findings will be broadly the same across the two decisions.

In July 2023, Mr J’s account started to miss payments and in August 2023 Mr J explained to Halifax he was struggling. They offered him a 30 day hold and requested more information from him, but didn’t hear back. In January 2024 Halifax tried to get in contact with Mr J again.

Halifax defaulted the account in March 2024 and in June 2024 Mr J sent a letter to Halifax about his personal situation and his inability to repay. He explained he had been off work sick for an extended period of time with no pay and only access to a small amount of benefits.

Halifax advised Mr J to obtain medical evidence signed by his doctor and they’d see what they could do to support him.

Mr J said he returned the medical evidence in July 2024 after finally being able to get an appointment. He said he was shocked when in August 2024, despite hearing nothing back from Halifax regarding his medical evidence, he received a letter letting him know his debts had been sold to a third-party debt purchaser.

He felt this was unfair as he’s been very clear he was vulnerable and required additional support. He complained to Halifax and they issued their response in September 2024. They said when they issued a default notice, they did say in those letters they could sell the debt at any time. Halifax said while they appreciated the effort he went to to get medical evidence, in the meantime they’d decided to sell the debt.

Mr J referred his complaint to our Service. He’s unhappy with the decision to default the account and to sell it. He said they wrote off his overdraft so questions why that hasn’t been consistent. He says this situation has exacerbated his illness and financial difficulties.

An Investigator picked up Mr J’s complaint. They assessed things and felt although the default was applied fairly, they don’t think Halifax were fair to sell the debt. They said Halifax hadn’t given Mr J a timeframe to return the medical evidence and by their own admission with the overdraft complaint, he’s not able to sustainably repay and so should buy back the debt and write it off. The Investigator also asked Halifax to pay £300 in distress and inconvenience to Mr J.

Neither Mr J or Halifax agreed with the view. Mr J has written a lengthy response, but to summarise, he said they’ve treated him inconsistently, the default only arose due to Halifax’s lack of forbearance, they’ve breached the Equality Act 2010 and they’ve not handled his complaint properly. To put things right he would like the default removed, all accounts to be written off and compensation of £2,400 (representing £600 per account held).

Halifax responded saying they haven't made any errors by selling the debt. They said if a customer's vulnerabilities worsened to the extent they are considered severe, they're excluded from debt sale and there are no notes to show Mr J provided medical notes in relation to his credit card account.

Because an agreement couldn't be reached, the 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.

Having done so, I'm in agreement with the Investigator. I know this is likely to disappoint Mr J, but I'll explain my reasoning below.

I'd like to start by thanking Mr J for the level of detail he's provided in his submissions. It's very helpful. And while I've found it useful to read through, I won't be responding to every individual comment in the same format, although I reassure Mr J I've taken it all into account. This isn't meant as any discourtesy, rather the nature of our informal approach.

I'll start by considering what Mr J has said regarding the application of a default. I understand it can be concerning to have a default on a credit file, but I've also had to consider the obligations a lender has to report accurately.

The Information Commissioner's Office (ICO) says they'd expect a default to be registered by the time a consumer is six months behind with payments. Mr J's account first started falling behind in July 2023. I note what Mr J has said about Halifax not offering him proper forbearance, but I'm satisfied Halifax stopped interest and charges for an extended period of time after their first contact with Mr J, and Mr J stopped responding to requests from Halifax about how they could further support him. Even with interest paused, Mr J was unable to make payments towards the account, so the account still would've defaulted eventually, and it's better that it's recorded sooner rather than later. So, while it will disappoint Mr J, I'm not recommending Halifax remove the default.

I'll now move on to consider the sale of the debt. Mr J has said he sent the medical evidence in July 2024. Halifax have said they didn't receive medical evidence until October 2024. Neither party involved here are able to demonstrate when the evidence was sent or received. In any event, I think Halifax were wrong when selling the debt, despite them reiterating they made no bank error.

Firstly, I find some of Halifax's evidence regarding the decision to sell the debt contradictory. More recently, Halifax have said they didn't receive the evidence until October 2024, but in the first submission sent to this service the account notes say 'a business decision was made between the time we asked for further information from customer and the time of the debt sale'. This suggests that after requesting the medical evidence, they decided to sell.

This is unfair to Mr J and is clearly causing foreseeable harm, particularly as they didn't give Mr J a deadline for when he was supposed to provide this evidence by. Mr J complained in August 2024 that he'd sent it but Halifax had still sold it, and he's made no reference to having sent it over a second time, so I think it's likely Mr J did send it in July 2024 when he said he did.

Halifax, when sending their customer – who they knew at this point was vulnerable – away to gather more information ought to have placed a hold on his debts so they weren't moved over. Halifax in response to the Investigator's view have said 'if a customer's vulnerabilities worsened to the extent they are considered severe, they're excluded from debt sale'. I think at the point they had conversations with Mr J in June 2024 they ought to have been aware Mr J's vulnerabilities were severe, which is why they were asking for supporting evidence.

There's nothing in the contact notes to suggest they contacted Mr J after that conversation to chase him for an update or to have another conversation about selling the debt with him. Halifax have an obligation to treat their customers fairly, and the Consumer Duty reinforces this by placing a higher standard for firms to adhere to for customers, I agree with what the Investigator has said in that Halifax hasn't treated Mr J fairly nor have they done enough to support their vulnerable customer to find a reasonable way forward with his debt.

At another point in the submission to our Service, Halifax have said the decision to sell debt happens far before it's actually sold. In this case, this should've been considered if there was no reasonable prospect of Mr J's medical evidence making a difference to the credit card account before they asked him to go and obtain it.

Finally, Halifax recently stated that they didn't receive medical evidence for the loan account specifically. However, taking into account the FCA's guidance on the fair treatment of vulnerable customers, which includes ensuring their customer service meets the needs of vulnerable consumers, together with a firm's responsibility to treat their customer fairly, I think it would be reasonable that when a customer has provided them evidence of severe vulnerabilities meaning they're unable to work and have no reasonable prospect of repaying debt, to have applied that across the accounts held with Halifax.

So, having considered all of the information above, I agree with the Investigator that Halifax should buy back the debt and write off the outstanding balance as there's no reasonable prospect of Mr J being able to repay what's owed, and Halifax have admitted, despite being unable to share with us what they saw, that if they still owned the debts they would treat it the same way they did the overdraft account.

Mr J has complained that Halifax has failed to treat him fairly under the Equality Act 2010. I've taken the Equality Act 2010 into account when deciding this complaint – given that it's relevant law – but I've ultimately decided this complaint based on what's fair and reasonable. If Mr J wants a decision that Halifax has breached the Equality Act 2010, then he'd need to go to Court.

Whilst I don't think this was in relation to Mr J's vulnerabilities, I do, however, believe Halifax has provided poor customer service to Mr J. Either; they didn't set him a deadline to provide medical evidence when one was clearly required to stop the debt being sold; or they'd already decided the debt would be sold but didn't make him aware and sent him to get evidence that was too late to receive. This is poor service and their statements throughout the file regarding what did or didn't happen has been contradictory.

So, again, in line with the Investigator, I'm telling Halifax to pay Mr J £300 in compensation to acknowledge the distress caused to Mr J. I know Mr J wants more than this, but I'm satisfied this is in line with our guidelines around awarding compensation, particularly given I'm asking Halifax to also write off a significant amount of debt.

Putting things right

To put things right Halifax should:

- Buy back and write off the outstanding balance on Mr J's loan account.
- Pay £300 in compensation to reflect the distress and inconvenience caused.

My final decision

It's my final decision that I uphold this complaint against Bank of Scotland plc trading as Halifax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 9 March 2026.

Meg Raymond
Ombudsman