

The complaint

Mrs D complains that Bank of Scotland plc trading as Halifax closed all her accounts in error leading to distress, inconvenience and ill health. She asks for increased compensation to resolve the complaint.

What happened

Mrs D fell victim to a scam which was reported to Halifax. During the investigation, Halifax told Mrs D that it would be closing all her accounts. Mrs D appealed Halifax's decision and was told that her accounts wouldn't be closed. But they were.

Halifax apologised for the mistake and gave Mrs D £600 to ensure she could pay her pending bills. It also worked quickly to try to get the accounts re-opened. But the closures had a significant impact on Mrs D and the relationship she had with her creditors. Halifax acknowledged the impact the mistake had caused and paid Mrs D £800 in compensation. It also provided Mrs D with a letter explaining the account closure had been in error which caused a break in payments and should not reflect on Mrs D. But Mrs D says some creditors applied defaults to her credit file which means she has more difficulty in accessing credit.

Mrs D was not happy with Halifax's response and so referred her complaint to the Financial Ombudsman Service where an investigator considered Mrs D's complaint.

The investigator concluded that Halifax had done enough to resolve the complaint. They said, in brief, that Mrs D was suffering from stress and anxiety relating to the scam and the closure of her accounts heightened that stress and anxiety. She also had to carry out a lot of administrative work in contacting businesses, organisations and tenants and also setting up new accounts. These were foreseeable consequences of Halifax's actions. Mrs D also had defaults applied to her credit file because of missed payments. But, using the guidelines available to them, the investigator said the payment of £800 was sufficient.

Mrs D disagreed. She said Halifax's error caused a setback in her mental health recovery; she had no access to funds for several days; defaults have been applied to her credit file and she cannot now obtain life cover. She also said the loss of trust in Halifax has shaken her trust in financial institutions in general and the mistake caused her great inconvenience in terms of time and disruption. Mrs D does not feel £800 adequately compensates for that.

Mrs D asked for a final decision from an ombudsman and so this 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.

I feel there are two points I need to be clear on.

Firstly, I am only considering here the closure of Mrs D's accounts and the impact this had

on her. And secondly, when I consider the compensation payable, I can only assess the impact of the error on Mrs D. I'm aware that Halifax's actions affected other members of Mrs D's family but as Mrs D is the eligible complainant in this case, I can only award compensation as it relates to her.

Having considered all that Mrs D and Halifax have provided by way of evidence, I have decided that Halifax has done enough to resolve the complaint and so won't be asking it to do anything further. I appreciate this will come as a disappointment to Mrs D. I hope what follows will help her to understand my decision and the reasons for it.

It is not in dispute that Mrs D's accounts should not have been closed, and Halifax has admitted to its mistake. So, I don't need to make a finding on the cause of the complaint. But what is in dispute is whether Halifax did enough to put matters right.

Mrs D's health, the impact this episode had, and the ongoing effects.

Mrs D said to our investigator that this episode had set back her recovery from mental health problems and had denied her access to life insurance.

I fully understand that the trauma of falling victim to a scam for a significant amount of money would lead to stress and anxiety. Mrs D's doctor confirmed this in a letter in June 2025. I do hope that Mrs D is receiving the help she needs to recover. I also completely understand that the mistake Halifax made in closing all but one of Mrs D's accounts would have caused increased anxiety. I think Halifax has acknowledged the impact the mistake had on Mrs D's health and took this into account when assessing the level of compensation.

Mrs D has also said that the closure of the accounts and the increased anxiety led to her being declined life insurance. Mrs D supplied the Financial Ombudsman Service with correspondence from an insurer which said:

Due to the answers given under the Mental Health category, you have disclosed that you have had two instances of Self harm thoughts, with the latest occasion being in December 2024. As the last occasion is under a year ago, we will postpone till it has been at least 12 months since the most recent occasion.

I'm not persuaded from the insurer's response that Mrs D is being permanently denied access to life insurance. They've invited an application later.

They also say that the evidence they've used dates to December 2024 which predates the account closure. So, I can't reasonably say that the account closure contributed to the decline of immediate life insurance.

Financial impact

Mrs D has said that she didn't have access to funds and so was unable to pay for necessary expenses and her credit file has been impacted by defaults having been applied.

Mrs D had a conversation with Halifax on 19 February 2025 in which she confirmed she had two other accounts she was able to use. It was agreed that a payment of £600 was sufficient to meet her immediate expenses and could be sent to one of her other accounts on which she had a valid bank card. So, based on the evidence I've seen, I'm not persuaded that Mrs D had no access to funds. I also note that Halifax says one of Mrs D's accounts remained open due to pending payments.

Turning now to the defaults on Mrs D's credit file. For a default to be registered, a process

needs to have been followed. This involves reminders about arrears and issuing a default notice with a timeframe to remedy the default before it is registered. So, I'm not persuaded that the short period of time Mrs D was without an account would have led directly to a default being registered. I think that the process for default must have been started before the account closure situation occurred. So, I don't think it's reasonable for Halifax to be held responsible for this. If Mrs D feels that any business has registered a default incorrectly, she should take the matter up with them directly.

Distress and inconvenience

It is without any doubt that Mrs D was put to significant inconvenience by the closure of nine of her accounts. This led to the cancellation of multiple direct debits and meant Mrs D had to restart all these taking a significant time. She also set up new bank accounts due to her lack of faith in Halifax and again I can understand why she made that decision. That again would have involved time and inconvenience. My calculation of the award therefore is to recognise these impacts and the emotional impact of the error.

Throughout this complaint, the compensation has been referred to as £800. But I don't agree that's what Halifax has paid. On the day of the error, it advanced £600 to cover immediate payments Mrs D needed to make. Halifax isn't asking Mrs D to repay that money and was intended to be part of the compensation. So, Halifax has paid a total of £1400.

Our awards of between £750 and £1500 recognise where there has been substantial distress, upset and worry. This may have caused serious disruption to daily life over a sustained period, with the impact felt over many months, sometimes over a year.

When the accounts closed, there was a clear substantial short-term impact which Halifax tried to mitigate. But the error caused further inconvenience to Mrs D as I've detailed earlier. So, the effect was ongoing. And Mrs D has said that her already fragile mental health was adversely affected. I accept all these impacts. But I think the award of £1400 is a fair resolution to the complaint.

My final decision

For the reasons given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 13 April 2026.

Stephen Farmer

Ombudsman