

## **complaint**

Mr G complains about the way Bank of Scotland plc (trading as Halifax) dealt with the refund of interest and charges on his credit card.

## **background**

Mr G began to experience financial difficulties and his credit card account defaulted. He later offered to pay of 70% of the outstanding balance to settle the debt. The bank accepted this as partial payment, and agreed not to ask Mr G to pay the remaining debt.

Mr G then noticed that his credit file wasn't accurate. He spoke to the bank about this and it agreed to change the information on the credit file. When it did so, it reviewed his account. It noticed that Mr G's account had been in arrears for 21 months, which was longer than it should have been. To help Mr G, it backdated the default to May 2012, which it thought was more appropriate. It also refunded £1,083.03 in interest. It applied the refund to pay the outstanding balance.

Mr G says that the charges and interest shouldn't have been applied to his account in the first place. He says that this increased his outstanding balance which meant that he paid substantially more to settle his account than he needed to. He wants the bank to pay the refund to him and not to the account. He also says the bank can't pay the money into the account as the account is now closed as the debt has been written off.

The bank says that a partial settlement doesn't mean that the account is now closed; it just means that it won't pursue Mr G for the debt. It gave Mr G £150 because it hadn't responded to his concerns.

Our adjudicator agreed with the bank. She felt the bank was trying to help Mr G and that it followed the correct process when it agreed the partial settlement with Mr G.

Mr G disagrees. He says he's been financially penalised because the fees and charges shouldn't have been applied to the account at the time.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have reached the same conclusions as the adjudicator for broadly the same reasons.

The bank says it changed the way it deals with accounts in arrears. Because of that, it agreed to backdate the default on Mr G's credit file and refund some charges. I think that was a reasonable approach for it to have taken. But I don't think it means the bank would have accepted a lower amount from Mr G to settle the debt, if it had treated his account differently when it was in arrears.

I think there's been a misunderstanding about what happens when Mr G and the bank agreed to the partial settlement. It doesn't mean that the debt is written off and the account closed. It means that the bank won't pursue Mr G for the outstanding debt. So any money owed to the account can be paid in to reduce the outstanding balance.

I can't see any reason why the refund should be paid to Mr G. He hasn't lost the money and it remained due as an unpaid debt. I don't think it's fair or reasonable for him to receive a refund when there's a debt that remains due. The bank has paid Mr G £150 and I think this is fair and reasonable. I know Mr G will be disappointed but I don't uphold his complaint.

**my final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr G to accept or reject my decision before 11 September 2015.

Elena Feeney  
**ombudsman**