

## **complaint**

Mr H is unhappy that Bank of Scotland plc (trading as Halifax) won't pay him directly a refund it's offered to make of charges, interest and fees applied to his credit card and current accounts.

## **background**

Some years ago Mr H ran into some money problems and wasn't able to meet payments on his credit card or the overdraft on his current account. Halifax later sold the outstanding debt to another business.

Mr H recently contacted Halifax and it offered to refund the charges, interest and unauthorised overdraft fees that had been added to the respective accounts before they were closed and the debt was sold on. To do this, Halifax said it would 'buy back' Mr H's debt and apply the refund towards the money that was still owing. Halifax also offered Mr H £250 compensation to recognise previous problems he'd experienced with his accounts; and it said it would pay that compensation directly to Mr H.

Mr H was unhappy with Halifax's offer. That's because he wanted the refund to also be paid directly to him in cash, so that he could use that towards other priority debts like his mortgage. But Halifax wouldn't agree to do that. It said that the refund it offered was a gesture of goodwill (and not to correct a bank error). It said it would only use the refund to reduce the outstanding balance of the debt to which the charges, interest and fees related.

Our adjudicator looked into this problem. She didn't think Halifax had treated Mr H unfairly by offering to reduce the debt owing in that way. Mr H disagreed and wants the refund paid to him directly, with additional interest added to it.

So this has come to me for a final decision.

## **my findings**

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

I understand Mr H's reasons for wanting the refund of interest, charges and fees paid straight to him, so he can use it towards his other pressing debts. And I'm very sorry that he is experiencing difficulties. But Halifax says these were correctly applied to Mr H's accounts in the first place. It also doesn't appear that Mr H has actually been out of pocket for those amounts. Instead, Halifax is really just agreeing to remove the charges from the outstanding balance of the debt, because it's decided not to insist that they be paid after all.

So, I don't think Halifax is being unreasonable in deciding it requires the 'refund' to be applied towards the debt to which it specifically applies. And because Halifax isn't refunding money that Mr H lost the use of, and the offer is a gesture of goodwill, I don't think it's fair to ask Halifax to add additional interest to the refund.

Mr H believes that because his debt to Halifax (that is, the money he owed on his accounts, including the fees, charges and interest) was sold on to another business, that Halifax doesn't have the right to insist on how and where the refund will be paid. But Halifax has said that it's in the process of buying back the part of the debt that represents the interest,

charges and fees. That means Mr H's debt to the other business will be reduced by that amount. So, on the basis that the relevant part of the debt is being bought back, I think it's fair and reasonable for Halifax to deal with the refund as it has offered.

**my final decision**

For the reasons I've given, it's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 December 2015.

Helen Moye  
**ombudsman**