

complaint

Miss B complains that Bank of Scotland plc (trading as Halifax) lent irresponsibly to her and has since unfairly registered adverse information on her credit file.

background

Miss B had a loan, overdraft debt and credit card debt with Halifax. When she took the loan in 2012, it repaid her existing loan with another bank and also paid off her Halifax overdraft debt at the time.

But Miss B says that Halifax allowed her overdraft facility to remain in place, which then led to another debt. She also felt that Halifax had been irresponsible to allow increases on her credit card limit.

Miss B contacted Halifax in 2014 to say she had financial difficulties, and Halifax agreed to accept reduced loan repayments. It also froze interest on the credit card and overdraft debts while Miss B continued to make some payments towards them.

In 2016, Miss B complained to Halifax – also citing the adverse information that Halifax had registered on her credit file. Halifax accepted the 2012 loan had been unaffordable at the time it was made, and offered to refund the loan interest from the date of opening to the point at which it had gone into its recoveries department.

Halifax also agreed to remove the late payment markers in respect of the credit card account from January 2015 onwards and to backdate the defaults on all three accounts to March 2015 – to reflect the point at which it considered the accounts should have been sent to its recoveries department. Halifax offered a further payment of £100 in relation to the overall complaint.

Miss B did not feel this went far enough to settle things fairly, and did not think the credit card account should have been defaulted at all while she was still making minimum payments towards the debt. She was unhappy about account charges and also felt Halifax had made things worse for her by increasing her credit limits.

As things weren't settled, Miss B brought her complaint to this service where one of our adjudicators investigated it. From the evidence, the adjudicator felt that Halifax's existing offer was broadly fair in the circumstances. The adjudicator noted that Halifax had, in fact, progressively reduced the limit on the credit card over the past six years, rather than increasing it. Overall, the adjudicator did not recommend that Halifax should do more.

Miss B did not agree, saying Halifax had made a number of mistakes and £100 was not enough.

my findings

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

For simplicity, I'll deal with each element of the lending under a separate heading.

the loan

The loan that Miss B took in 2012 was used to repay a loan that she already had with another lender, and also to pay off her overdraft debt with Halifax. Halifax has now accepted that this loan was unaffordable for Miss B when she took it, and so has agreed to refund all the interest.

Essentially, this means Miss B will have had the loan money interest-free from the start. It also means that the pre-existing debt, which the loan replaced, will have been interest-free from 2012 – arguably leaving Miss B better off overall than if she had not been given the loan in the first place. Halifax has also agreed to backdate the default, thereby reducing the remaining time the default will be on her credit file.

I find that this is a fair settlement in the circumstances.

the overdraft

At the time the 2012 loan was made, there had been no recent increases to Miss B's overdraft limit. The overdraft limit was not removed when the 2012 loan was made and the overdraft debt paid off. But, equally, Miss B knew that the limit was still in place and could have asked for it to be removed if she did not want to have it available to her.

There were no increases to the overdraft limit after that, and the account charges were in line with the relevant terms and conditions. Halifax later helped Miss B by freezing interest on the overdraft debt, and it has since agreed to backdate the default.

In all the circumstances, I find that this represents a fair settlement.

the credit card

Halifax didn't increase the limit on Miss B's credit card – in fact, the limit on the account has been significantly reduced over the period of the last six years. By the time the account was defaulted, Halifax had stopped charging interest at all. So, although Miss B was making minimum repayments, that would not have repaid the account under the original terms.

Passing the account to recoveries meant that Halifax could permanently stop applying interest and charges on the account; it did not have any obligation to allow Miss B to keep the card account interest-free without any default being registered. Halifax has agreed to remove the missing payment markers from January 2015 and has agreed to back-date the default registration to March 2015.

I find that this represents a fair settlement.

overall

I appreciate that Miss B does not feel that Halifax's offer of £100 compensation is enough. But, taken with in the context of the interest concessions and credit reference file adjustments also agreed by Halifax, I am not persuaded that Halifax should increase its offer.

Taking everything into account, I find that the overall offer made by Halifax represents a fair settlement of this complaint.

my final decision

My final decision is that I direct Bank of Scotland plc (trading as Halifax) to:

- refund the interest of £5,013.61 on the loan;
- remove the missing payment markers on the credit card account from January 2015;
- backdate the default date on all three accounts to 1 March 2015; and
- pay Miss B £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 10 February 2017.

Jane Hingston
ombudsman