

Complaint

Mrs M complains that Bank of Scotland Plc (trading as Halifax) failed to help her, in line with the rules on persistent debt.

Background

Mrs M has a credit card with Halifax and has maintained the minimum payment for an extended period without making additional payments to reduce the outstanding balance.

In July 2018 Halifax sent Mrs M a letter about her account and she decided to close the spending facility on her credit card and continued to make the monthly payments.

In November 2018 Mrs M contacted Halifax again and asked for assistance to allow her to repay the outstanding balance. Mrs M wanted Halifax to reduce the interest rate to 0%. Halifax completed an income and expenditure assessment but found Mrs M's outgoings were higher than her income. As a result, Halifax said it couldn't agree a payment plan. But Halifax said it would agree to refer the credit card to its collections department and allow Mrs M to make reduced payments on the basis that her account would be defaulted. Halifax later agreed to waive some interest and Mrs M continued to maintain the normal minimum payment as she didn't want any adverse information to be reported on her credit file.

Mrs M complained but Halifax didn't agree it had failed to treat her fairly while she was in persistent debt. Halifax did agree it made some mistakes when responding to her complaint and paid her a total of £110 but it didn't offer to reduce Mrs M's interest rate. Mrs M referred her complaint to our service and it was passed to an investigator. He thought Halifax had treated Mrs M reasonably and dealt with her complaint fairly. As a result, he didn't ask Halifax to do anything else and Mrs M asked to appeal. In March 2020 Halifax agreed to reduce the interest rate on Mrs M's credit card so she can repay the outstanding debt quicker. As Mrs M asked to appeal, her complaint has been passed to me to make a 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 Mrs M is concerned that Halifax failed to follow the rules that came into effect in 2018 regarding persistent debt. Mrs M explains that she asked Halifax to waive interest on her credit card debt to allow her to repay the balance quicker. But the information I've seen indicates Halifax has followed the guidelines and I'm satisfied it has tried to treat Mrs M positively and sympathetically.

The persistent debt rules set out three key milestones – 18 months, 27 months and 36 months. Each milestone requires lenders to take a different approach to the debt in question and offer different options. The regulations say that after 36 months in a persistent debt position, a lender should consider forbearance measures, like reducing the interest rate. But prior to the 36 month milestone that's not a step businesses are required to consider.

When Mrs M called Halifax in November 2018 she wanted to discuss options for repaying the debt. But at that point, the account had reached the 18 month milestone and there was no requirement under the rules for it to reduce the interest rate.

Halifax did discuss Mrs M's credit card with her at some length to see what assistance it could offer. But businesses can only agree a repayment plan that is shown to be affordable to the customer. In this case, Mrs M completed a detailed income and expenditure assessment to see what options were available. The assessment showed that, even without taking Halifax's credit card payment into account, Mrs M's outgoings were greater than her income. That meant Halifax's options to assist were limited – it couldn't approve a plan Mrs M wasn't able to maintain. So I don't think it did anything wrong when it declined to put a formal payment arrangement in place.

I've listened to the call and Halifax explained that as it wasn't able to agree a formal payment arrangement, Mrs M could make any payment she found affordable and that it would suspend all future interest and charges on an informal basis. But Halifax said that option meant it would default Mrs M's credit card and report that to the credit reference agencies. I understand why Mrs M was uncomfortable with that approach, but I'm satisfied it shows Halifax was willing to work with her to try and ensure the payments were affordable.

As I've said above, the milestones set out in the rules say that after 36 months lenders should consider forbearance options. Halifax has recently confirmed that in March 2020, Mrs M's credit card account hit the 36 month milestone which meant it could offer more options to help. Halifax says it agreed a way forward where by Mrs M could repay the debt in 48 months and that it had reduced the interest rate to 9.45%. I understand these events took place after Mrs M complained but I think they show Halifax's options to assist increased once the different milestones were reached.

I'm sorry to disappoint Mrs M but I haven't been persuaded that Halifax treated her unfairly by declining her request to reduce the interest rate on her credit card in 2018. I'm satisfied Halifax reviewed Mrs M's circumstances but wasn't able to agree a formal payment plan because it wasn't affordable, but it did offer to accept reduced payments as part of an informal arrangement. I understand that would have impacted Mrs M's credit file but I think it shows Halifax was willing to work with her and has treated her positively and sympathetically.

Halifax paid Mrs M £110 in total because of errors it made when responding to her complaint. I think £110 fairly reflects the impact of the service provided by Halifax so I'm not telling it to increase its offer. As I'm satisfied Halifax has dealt with this complaint fairly I'm not telling it to take any further action.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 18 June 2020.

Marco Manente
Ombudsman