

complaint

Mr A complains about how Bank of Scotland plc (trading as Halifax) has handled his student overdraft.

background

Mr A said that he'd run up a large overdraft with Halifax when he was a student. He didn't think that Halifax should've lent him so much money. He said that he had arranged to pay the money back, but the payments just stopped. He said that Halifax must've stopped the repayments, and he had assumed that the debt was paid off. But recently he said that a debt collection company had started to pursue him for the money. He didn't know he still owed anything, and Halifax hadn't told him it had defaulted the account. He said that he suffered from depression and anxiety, and the problem with this account was making him worse.

Halifax said that it gave Mr A an overdraft in 2007. If he wanted to complain about that, he should've done so within six years of that happening. And he hadn't, so Halifax said he was too late to complain about that now.

Halifax also said that it hadn't given Mr A very long to respond to a letter telling him that it would default his account. It had only given him a couple of weeks, and it would now allow 60 days. So it said that it would remove the default on his account if he paid off the debt within 60 days of its response to this complaint. It then extended this time a little, to the start of September.

Halifax felt it should've responded more quickly to Mr A's complaint. So it also offered him £100 to say sorry for that.

Our investigator thought that what Halifax had offered was a fair resolution to this complaint. She said that Halifax was right that it was too late for Mr A to complain about the amount of money that Halifax had loaned him. She thought that Mr A might not have got the letters Halifax sent because he hadn't updated his address with the bank. If Halifax was sending letters to an old address, because Mr A hadn't given Halifax his new address, then it wasn't Halifax's fault if Mr A didn't get the letters. Our investigator thought that it was reasonable for Halifax to offer to remove the default if Mr A paid in full, and fair for it to pay £100 for the length of time it had taken to consider Mr A's complaint. So she didn't think it had to do more than that.

It looked as if Mr A was going to accept that offer. But then he said that he couldn't pay in full, and the debt collection company wouldn't accept a reduced amount. He said there was some confusion about who could remove the default on his account, although Halifax said that it would arrange that. It also said it had spoken to the debt collection company, who agreed. And Mr A said that he still thought that it was Halifax who had stopped the repayment plan in 2013. He said he had no reason to stop that payment.

Mr A wanted a final decision on this complaint, so the case was passed to me.

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've reached the same conclusion as our investigator.

I don't have an exact date for when Halifax last increased Mr A's overdraft but it is clear from his statements that he had access to an overdraft of £3,000 in 2009. That's the level which Mr A's agreed overdraft was set at when his account was closed. So it looks as if the overdraft was increased to this amount, at the latest, at some time in 2009. If Mr A wanted to complain about the amount that Halifax was lending him, then the rules say that he needed to bring a complaint to Halifax within six years of that date. He hasn't done so. I think that Mr A is now too late to complain to this service about how much money Halifax lent him.

Mr A said that he hadn't stopped making repayments to the overdraft. He said that Halifax must've stopped that arrangement. I can see from the notes that Halifax has supplied that Mr A agreed a repayment plan with Halifax in August 2012. That was to run until February 2013. He contacted Halifax in February 2013, offering to continue the payments if interest and charges could still be frozen. His account was back within its limits then, so Halifax said it couldn't freeze the interest and charges unless it removed his overdraft limit. Halifax was discussing this with Mr A when the call was disconnected. His account was back within its limits, so Halifax didn't call Mr A then. And Mr A didn't call back. I think that Mr A knew that he wasn't on a repayment plan from February 2013.

I've also looked at Mr A's statements. Those show manual payments were being made onto his account until February 2013, then they stopped. Those payments were made using the faster payments system, so I don't think that Halifax acted to stop those payments. And because Mr A spoke to Halifax in February 2013 about his account, I don't think that he was either unaware that the payments had stopped or under the impression that the debt was paid off.

Halifax continued to charge fees and interest on this account until the account went over its overdraft limit. Shortly after that, Halifax defaulted this account. I don't think that Halifax did anything wrong when it did that.

Halifax said that had sent out a letter warning Mr A before it defaulted his account. It sent that to the address it had on file for him. I don't think it's Halifax's fault if Mr A didn't get that.

Halifax thought that it hadn't given Mr A enough time to repay the debt before it defaulted the account. But I don't think that anything would've been different if it had given Mr A more time. A letter warning of default gives someone who owes money a chance to pay everything they owe, before the default is registered. Mr A has never suggested he was in a position to do that. So even if he had got the letters, and had been given more time, I still think that Mr A would have a default on his credit file now.

Halifax said that it would remove the default on Mr A's account if he paid the debt collection company everything he owed within 60 days. It extended this deadline a little when Mr A said he was having trouble getting in touch with the debt collection company. But then Mr A told us that he couldn't pay in full. Because I don't think that anything would've been different in 2014 if Halifax had given Mr A more time then, I don't think Halifax had to make this offer. And because Mr A didn't take up Halifax's offer and pay off all the debt, I don't think it needs to remove the default now.

Mr A told us that the debt collection company wouldn't agree to remove the default. But Halifax said it would arrange that. And when Halifax spoke to the debt collection company, that company seemed to be saying something different to what Mr A had told us it said. I

don't know what the company actually said. But this complaint is against Halifax. If the debt collection company has caused some confusion, that isn't Halifax's fault.

Halifax also said that it would pay Mr A £100 to say sorry because it had taken some time to respond to his complaint. I think that is a fair offer. I don't think that Halifax has to do more than that.

my final decision

My final decision is that Bank of Scotland plc (trading as Halifax) must pay Mr A £100 in compensation for the delay in considering his complaint, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 17 November 2017.

Esther Absalom-Gough
ombudsman