

complaint

Mr S complains that Bank of Scotland plc (trading as Halifax) unfairly applied charges to his account, resulting in serious damage to his credit score.

background

Mr S says that the problems began some years ago when he went slightly over his limit on the overdraft on his Halifax account, but understood that there was a small 'buffer' facility in place on the account which would prevent the problem from escalating.

Mr S says he put things right on the account as soon as he could, but that Halifax did not apply the buffer – which meant that the small excess overdraft caused charges to be made on his account, which gradually snowballed and eventually created a substantial debt.

Mr S considers that Halifax was to blame for the debt, which went unpaid and caused a default to be recorded on his credit file. He says this prevented him from getting a loan, which meant he was unable to take up important training and career opportunities.

Halifax had placed the debt with external recovery agents, and Mr S had been making repayments towards it. Halifax did not accept that the problems identified by Mr S had been caused by its doing anything wrong, but said it would write off the outstanding balance of £650. It also paid Mr S £500 and agreed to remove the default on his credit file.

Mr S did not feel this went far enough to resolve things fairly. He brought his complaint to this service, where an adjudicator investigated it. From the evidence, the adjudicator concluded that there had been a £10 buffer zone in place on Mr S's account at the relevant time. But the adjudicator concluded that, even if no charges had been incurred at that time, Mr S would still have been expected to repay the undisputed debt on his account of almost £1,000.

Mr S had made no payments at all to the account until after it had gone into default and been placed with recovery agents. Given the refunds and additional payments that Halifax had already made, the adjudicator felt that it had done enough and was not liable to pay Mr S further compensation in relation to that part of the complaint.

Initially, it appeared that Halifax had not amended Mr S's credit file as promised – Mr S said it had reduced the account to a nil balance but that the default was still reflected in his credit report. After further enquiries, the adjudicator was able to obtain confirmation from the credit reference agency that Halifax had removed the default in March 2016. So the adjudicator did not consider that Halifax must pay additional compensation for that.

Mr S did not agree with the adjudicator's conclusions and said (in broad summary):

- It took far too long for the default to disappear from his credit report. He is also not sure that the credit reference agency should have provided this information to the ombudsman service, and he understands this may have amounted to an illegal data search.

- When he spoke recently with the bank that he had previously applied to for a loan, he was told that a loan application would automatically be rejected if the applicant had a bank account default. The person he spoke with agreed with him that this was Halifax's fault.
- The problem with Halifax has blighted his life for some five years, and kept him from achieving the things he wanted. He missed out on a once in a lifetime study opportunity, and has also had to make do with shared housing because of his credit rating.
- Nothing has been resolved from his point of view, and he has been given no compensation. So he has nothing to lose from escalating his complaint, and would like an ombudsman to review it.
- Halifax should be made to pay for what has happened, and should be charged heavily. As it is, he feels as though he has been penalised and he intends to sue Halifax for damages.

my findings

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

At the heart of Mr S's complaint is a small payment in August 2011 which took him just over the overdraft limit in place on his account. This put his account into debit by £1,001.89, against his overdraft limit of £1,000.

It was a few days before Mr S was able to pay in £2 to take the account back within the overdraft limit, but he says the temporary blip on the account should not have caused him a problem because of a £10 'buffer' facility in place on student accounts. He interprets the buffer to mean that he would not incur any charges, provided he did not exceed his overdraft facility by more than £10.

I do not necessarily agree with Mr S's interpretation of what the buffer allowed him to do. It's described as operating to avoid interest and charges if the account "*is in debit by £10 or less*". Mr S's account was in debit by £1,001.89 at the time, and so on the face of it he was over the limit for the buffer.

However, even if I accept that the charges applied by Halifax for slightly exceeding the overdraft limit in August 2011 were disproportionate, I'm not persuaded that this was the cause of the later problems that Mr S cites.

The charges for the August 2011 excess overdraft debt were nominal interest of £0.02 (applied at the end of the month) and an unplanned overdraft fee of £28. The unplanned overdraft fee was notified in advance, but not actually taken from the account until 3 October 2011.

Mr S did not make any payments into the account after his £2 credit in August 2011. That's why the account continued to attract charges over the months that followed – finally being closed and passed to the recoveries section in April 2012.

By then, the debt on the account was £1,176.18. But most of that was money Mr S had spent from his overdraft; only about £177 of it related to charges. So I'm not persuaded that the debt was caused by charges that had snowballed, as he suggests.

Mr S made no payments towards his debt until after the account had gone into default. The ombudsman who decided Mr S's previous complaint was satisfied that Halifax had been entitled to register the default in the circumstances. I do not consider that Mr S has produced any new evidence to cause me to make a different finding on that point.

Mr S later made repayments to the recovery agent, totalling about £320. I note that Halifax had already refunded £204 of charges in 2012, and it has since written off the remaining debt of £650 and paid Mr S a further £500.

I appreciate that Mr S feels very strongly that Halifax should bear responsibility for his missing out on a number of important things. He has told us why this has been so difficult for him, and has given us an insight into his disappointment. But, given my findings, I cannot reasonably direct Halifax to pay him compensation for that.

Halifax also agreed to remove the default. Mr S has recently accepted that the default no longer shows on his credit file and, from the enquiries made by the adjudicator, I am not persuaded that Halifax delayed amending the file.

Mr S asked us to help because he believed that Halifax had still not properly removed the default from his credit file, and we contacted the credit reference agency so that we could establish exactly what had happened about that. Mr S had already given us his consent to deal with relevant third parties, on the complaint form.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 October 2016.

Jane Hingston
ombudsman