

complaint

Mr J complains that Bank of Scotland plc (trading as Halifax) made a number of serious mistakes when closing his credit card account, causing him significant difficulty at a very inconvenient time. He also complains about the way Halifax dealt with his complaint.

background

Mr J took a credit card with Halifax, with an additional card for his partner, to use while he was on an extended trip abroad. He set up a monthly direct debit from his bank account to clear the balance in full. There were problems with his initial card, which Mr J stopped with Halifax and new cards were issued.

Shortly before Mr J returned to the UK, he stopped using his card but did not cancel either his card or his monthly direct debit instruction. When Mr J returned to the UK he did not immediately return to his home address, as he was taking up employment at a different location.

Mr J says that when he then contacted Halifax by phone it confirmed that there was no outstanding balance to be paid on the credit card account, which could be closed.

Some time later, Mr J opened post from his home address and found replacement cards which he says were never used. When he later returned to his home address, he found letters from collection agents in respect of an unpaid credit card balance. This was because the direct debit to pay the card had been cancelled at an earlier stage.

Mr J says that, as he did not cancel his direct debit, Halifax had plenty of time to collect any outstanding balance before he closed the account. He is also very unhappy that Halifax cannot produce a recording of his phone call which he says will prove there was no outstanding balance on the account.

Halifax said it had not received payment for the remaining balance outstanding after the final direct debit payment had been made, and that it had taken reasonable steps to try to contact Mr J but had been unable to do so because it had not been given his up to date contact details. As matters remained unresolved, Mr J brought his complaint to this service where it was investigated by an adjudicator.

From the evidence, the adjudicator concluded that the problem had stemmed from the direct debit (which was used to clear the account each month) being cancelled. The adjudicator found that Halifax's explanations about how the account had been administered suggested that the problem had originated with Halifax rather than with Mr J.

Whilst accepting that there was an outstanding balance on the account at the time the direct debit was cancelled (which Mr J was still liable for) the adjudicator considered that the fair settlement would be for Halifax to restore the balance to the amount it had been at that time, remove the default registration and pay Mr J £200.

Halifax did not agree with the adjudicator and said, in summary:

- The ombudsman service may not challenge or adjudicate on Halifax's process for dealing with cards reported lost or stolen.

- Halifax has always accepted that it cancelled the direct debit, and it did so because the existing account was being closed and a new one opened. It sent correspondence to Mr J's UK address telling him he needed to make arrangements for payments, and also sent statements there. It was not given contact updates.
- Mr J would have been told there was a nil balance on the account when he called, because his old account balance had been transferred to the new account in accordance with its usual process.
- It is not asking for an ombudsman review at this stage, but would welcome the adjudicator's further comments.

The adjudicator responded to Halifax as it had requested, clarifying why he remained of the opinion that Halifax had not made a persuasive case for the changes it had made to the account, or that it had explained these to Mr J.

Mr J made some additional comments, including that so far as he was concerned Halifax had never previously accepted that it had cancelled the direct debit and had in fact been entirely silent on that point.

As Halifax did not respond further, either to accept or to reject the adjudicator's recommended settlement, the complaint was passed to me for review and a final decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Because of the time that has elapsed since the events complained about, there is limited contemporaneous evidence to show exactly what happened here. It appears that Halifax now accepts that it (and not Mr J) cancelled the monthly direct debit from Mr J's bank account and that Mr J would have been told that his account had a nil balance when he called about it. I do not consider that Halifax's earlier communications made those points clear.

I have found Mr J's evidence persuasive. He appears to have meticulously paid his balance off in full each month, and had no need to default on an outstanding balance. From his perspective, having not used the card for some time but having left in place his monthly current account direct debit to clear the balance, he expected (and this was then confirmed by Halifax) that there was no money left to pay.

The explanations given by Halifax do not, in my view, provide a clear rationale for closing Mr J's account, cancelling the direct debit that he had given it to pay his credit card bill each month, opening a new account and transferring the debt on the old account across to it. This is nothing to do with challenging Halifax's process; it is that there is no persuasive evidence to show that this is what should have happened or – importantly – that Mr J was properly made aware of it.

I broadly agree with the adjudicator's conclusions. My award provides some clarification about what Halifax must do, and it takes into account acts and omissions of both parties.

my final decision

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

- waive any charges and interest applied to the credit card account after the date the direct debit was cancelled;
- remove any adverse credit reference information registered by Halifax about this debt;
- allow Mr J three months from the date of acceptance of this final decision in which to pay the remaining balance, interest-free; and
- pay Mr J £200.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr J to accept or reject my decision before 13 January 2015.

Jane Hingston
ombudsman