

## **complaint**

Miss R complains that Bank of Scotland Plc (trading as Halifax) proceeded with debt recovery action after telling her – in response to her financial difficulty – that she did not need to make any payments.

## **background**

When Halifax cancelled Miss R's overdraft facility, it agreed a repayment plan. But when Miss R became unemployed in October 2011, and shortly afterwards was diagnosed with a serious illness, she was unable to meet the repayments. The bank suspended interest and charges on the account and agreed that Miss R did not need to make any payments because she did not have enough income. Halifax says it told Miss R her account would still go through its arrears process, but would then be passed to its recoveries department which would allow a long term repayment plan to be agreed. But Miss R understood the bank would not take any action in respect of her account – until she had recovered from her illness and returned to work.

The adjudicator did not recommend that the complaint should be upheld. She concluded that Halifax had followed the correct process and that it had told Miss R her account would default. It suspended interest and charges and sent her account to its recoveries department where a long term plan could be agreed.

Miss R responded to say, in summary, that she was told to ignore the bank's collections letters, because "nothing would happen". She was not told her account would be closed and passed to a debt collection agency who repeatedly phoned her chasing repayment of the debt. She also says Halifax was rude when she phoned it.

## **my findings**

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

In situations of financial difficulty, banks are expected to treat their customers positively and sympathetically. That might mean coming to a mutually agreeable arrangement about any debt, such as developing a repayment plan or freezing interest and charges on an account. Halifax agreed that Miss R could no longer afford the agreed repayments and agreed she did not need to make any payments towards her debt whilst she was unemployed and coping with her illness. It suspended interest and charges on the account. I consider this action to be fair and reasonable in the circumstances.

Miss R's complaint is that she was not told what would have happened if she did not make any payments. She says she was told not to worry, to ignore any collections and default letters she received and that "nothing would happen". But the bank had to follow its collections process which meant Miss R received letters from the bank's solicitors and the bank's debt collection agents demanding repayment of the outstanding balance in full and warning of legal action. Understandably, Miss R was worried and upset by these letters and Halifax has already accepted it did not deal with her phone call as well as it should have.

In Miss R's circumstances, she needed a repayment plan over a long term and in order to arrange this, the bank followed its usual collection procedure so that the account would be passed to its recoveries department. Token repayments of £1 a month have now been

agreed. But I consider it should have taken the time to explain to Miss R more clearly what would happen. Miss R also received phone calls demanding repayment which is unacceptable bearing in mind her circumstances.

After very careful consideration, I conclude that Halifax should have been clearer in explaining its procedures to her, including the fact that the account would be passed to a debt collection agency and it should compensate her for the distress and inconvenience caused.

**my final decision**

My final decision is that I uphold this complaint. In full and final settlement, I order Bank of Scotland Plc (trading as Halifax), to pay Miss R £200. For the avoidance of doubt, this should be paid directly to Miss R, and not used to reduce her debt.

Elizabeth Dawes  
**ombudsman**