

The complaint

Mr M complains that Bank of Scotland plc trading as Halifax ("Halifax") closed his bank account and sold the outstanding balance to a third party.

What happened

Mr M had a bank account with Halifax with an agreed overdraft limit of £1,500. In 2021, he complained to Halifax about the fees they'd charged on his account. Halifax sent Mr M a final response letter in July 2021 in which they said they had applied the fees and daily arranged overdraft interest correctly.

In July 2022, Halifax wrote to Mr M saying he needed to pay £57.93 as soon as possible to bring the account back within the agreed overdraft limit. Halifax then sent a Formal Demand to Mr M in August 2022 saying that he needed to repay the full overdraft amount of £1,517.93 in the next 30 days (or pay £17.93 if he couldn't repay the full amount). The letter set out that Halifax would close Mr M's account in two months' time, and that they might add a default to his credit file, if payment wasn't made or agreement couldn't be reached on a way forward.

Halifax then wrote to Mr M in November 2022 telling him that they'd assigned the rights, title and interest in respect of the account (including the outstanding balance of £1,517.93) to a third party. Mr M made another complaint to Halifax in which he said that he had overpaid interest totalling £3,500 and that, as he had already paid interest that was more than double the amount of the overdraft, Halifax should refund him £517.53. Mr M also said it was wrong and illegal for Halifax to have sold the account on to the third party.

Halifax sent Mr M a final response letter in January 2023. They said they'd reviewed the daily arranged overdraft interest that had been applied since they'd sent him their response to his complaint in July 2021. And they concluded that this had been applied correctly. Halifax also said that they'd contacted Mr M on several occasions during 2022 to offer him support in managing his unarranged overdraft but he'd declined their suggestion of a possible payment arrangement. And so they'd taken the decision to close his account and sell the outstanding debt to a third party.

Mr M brought his complaint to us. Our investigator didn't uphold it. Mr M didn't agree and said Halifax should re-open his bank account as they unfairly and wrongly closed and sold it.

As the matter remains unsolved, Mr M's complaint has been passed to me for a decision.

What I've decided – and why

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

I should start by saying that I am only considering the events that took place in respect of this complaint from July 2021 onwards. As our investigator has said, we aren't able to look at any fees or charges levied by Halifax before this time, as that issue was considered when

Halifax dealt with Mr M's complaint in July 2021. Mr M didn't though refer the matter to us within the six months that Halifax gave in their final response letter and there are no exceptional circumstances that prevented him from referring this to us within that timeframe.

I understand why Mr M is upset that Halifax closed his account and then sold the balance on to a third party. However, Halifax was entitled to ask Mr M to repay the overdraft upon demand. That was something Mr M agreed to within the terms and conditions of the account. Halifax wrote to Mr M a few times asking him to bring the balance back within the agreed overdraft limit. As Mr M didn't do this, I don't think it was unfair of Halifax to then send the Formal Demand asking him to repay the overdraft balance.

Mr M didn't repay this or come to an arrangement within the timeframe Halifax gave in that letter. So, I see no reason why Halifax wasn't entitled to do what they had set out in that letter; namely that they would close the account and consider recording a default on Mr M's credit file. I don't find that Halifax treated Mr M unfairly by doing this. I've looked at the account statements from July 2021 until Halifax closed the account and can see that Mr M wasn't making any inroads into repaying the overdraft. And Halifax's actions prevented him from accruing any further debt in the form of the daily overdraft interest that they were applying.

I've also seen that Halifax tried to engage with Mr M before they closed the account. For example, I've seen that they offered to consider a repayment plan to help Mr M pay down his overdraft. However, it seems that Mr M refused this as he said he wasn't in financial difficulty as he had half a million in Bitcoin.

I can also see that Halifax applied a hold on the account to give Mr M some breathing space for several months from September 2021, which meant no fees or charges were applied to the account.

I'm not persuaded that Halifax added the daily arranged overdraft interest amounts incorrectly or unfairly, which is one of Mr M's main complaint points. The terms and conditions of the account allowed for this to be in place and presumably Mr M agreed to this at the time (or didn't seek to challenge this).

It's not uncommon for banks to sell outstanding balances on to third parties if they no longer wish to recover the debt from their customers. So, I don't think Halifax acted unreasonably by selling Mr M's account on to the third party once they had closed it. Halifax sent Mr M a letter explaining this to him as well.

Overall, I don't think Halifax acted unfairly or unreasonably in how they went about matters here. So, I won't be upholding this complaint.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 May 2024.

Daniel Picken
Ombudsman