

## **The complaint**

Mr M has complained that Bank of Scotland plc trading as Halifax acted irresponsibly when it provided him with an overdraft facility on his student account in 2020.

## **What happened**

Mr M applied for a student account with Halifax in November 2020 and at the time the account was opened he was given a £1,500 overdraft facility. Mr M has told us that at this time he wasn't enrolled in a university course and was in receipt of universal credit only as he was unemployed.

He has explained that since being given the overdraft he has used it to its limit and has been unable to get his account back into credit. He believes Halifax was wrong to provide him with the facility as he was unemployed at the time and unable to afford it. He has also explained that he is a vulnerable consumer and mental health issues which have been seriously impacted by his current financial difficulties.

He has asked that Halifax remove the facility, write off the outstanding debt and remove any associated defaults or negative markers from his credit file.

Halifax has said that at the time of application Mr M told the bank he was in full time education. It accepts that he had a limited income but says this was to be expected as he was applying for a student account and so the bank reviews these sorts of applications differently and applies different risk considerations. It has said that when he applied for his account he already had a current account with Halifax which had been well maintained.

It accepts that Mr M utilised the facility immediately and has been unable to bring the account back into credit since November 2020. It has said that it should've removed the facility in November 2021 when it reviewed how Mr M was using the account. It has apologised for this and has arranged for the facility to be removed. However, it has explained that because it was a student account no fees or interest has been charged on it and so Mr M is only obliged to repay the amount he spent. It offered Mr M £40 compensation for the failure to remove the facility sooner.

Mr M disagreed with Halifax's response to his complaint and still believed the outstanding balance should be written off given his existing vulnerabilities. So, he brought his complaint to our service. One of our investigators looked into Mr M's complaint already. He agreed that Halifax's proposed resolution of removing the facility, backdating its removal to November 2021 and paying Mr M £40 compensation was reasonable. He noted that no interest or charges had been added to the amount owed and so Mr M was only being asked to repay the capital amount he had borrowed.

Mr M disagreed with the investigator and asked for an ombudsman to review his complaint and so it's been passed to me to consider.

## **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.

Having done so I think the resolution proposed by Halifax is reasonable and I'm not going to ask it to write off the balance owed by Mr M. I know this will be very upsetting for him, so I'd like to explain why I've reached the outcome I have.

Mr M has said that he shouldn't have been given a student account in 2020 as he wasn't in university at the time. However, student accounts are available to anyone in full time education, it doesn't have to be a university course. And Mr M has confirmed that he was going into his second year of a three-year course and so I think he was eligible for the account despite the fact that he wasn't enrolled in university.

Mr M has also said that at the time he applied for the overdraft he wasn't working. However, his application indicates that at the time he was in receipt of some wages, albeit lower amounts that likely indicate part-time employment. And as this was a student account there wasn't an expectation that he would be working as it would be presumed that he was studying full time, as declared on his application.

I do agree that in November 2021 when Halifax reviewed the account it should've realised that Mr M was overly reliant on the overdraft facility. He used it immediately and never got the account back into credit. So, it should've been removed then and Mr M should've been put into a repayment plan to allow him to repay the outstanding amount over a reasonable length of time without incurring any interest or charges.

Halifax has accepted it made a mistake at this point. And has already removed the facility and agreed that Mr M needs to have a repayment plan put in place. It has also confirmed that no interest or charges have been added to the amount owed and Mr M is only being asked to repay the amount he borrowed.

I think that's reasonable and it's what I would've asked the business to do had it not already suggested this resolution. I know Mr M is extremely vulnerable and I would expect Halifax to take this into consideration when working with him to come up with a fair and reasonable repayment plan.

However, it wouldn't be reasonable for me to say that Mr M doesn't need to repay the money he spent. And so, I can't ask it to do this and I'm not upholding Mr M's complaint on this basis.

Halifax has confirmed the debt has been passed to a specialist team to manage and I would urge Mr M to contact that team if he hasn't already done so. If the debt remains unpaid it could result in a default being added to his credit file and so it's important he engages with the bank even if it is difficult to do so. It may be useful for him to get support from a trusted third party, like family member or friend, to help him with this. Mr M should speak to Halifax to find out what his options are.

## **My final decision**

For the reasons set out above I don't uphold Mr M's complaint against Bank of Scotland plc trading as Halifax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 October 2023.

Karen Hanlon  
**Ombudsman**