

The complaint

Mr R complains that Bank of Scotland plc, trading as Halifax, closed and defaulted his account, and he also complains about various related issues.

What happened

Mr R had a current account with Halifax. In December 2021 he moved house. He tried to use his Halifax banking app to update his address, but the app would not accept his new post code. He says he phoned Halifax, but there was a recorded message which told him he should use the app to update his address. So he gave up, and switched his account to another bank instead, and told his new bank his new address.

Mr R says he thought that the switch would only move his direct debits over to his new account, without closing the old account. He thought he would still continue to have a Halifax current account. However, contrary to his expectations, Halifax closed his account. Since his account was overdrawn at the time, he ceased to have an arranged overdraft, Halifax started sending letters to his old address asking him to repay the balance. At first, these letters were not forwarded to his new address. But a formal demand letter, dated 15 March 2022 and demanding payment within 30 days, was forwarded to his new address. Mr R says he received it on 29 April, after that deadline had expired.

On that same date, 29 April, Mr R wrote a complaint letter to Halifax. He complained that it had been impossible to notify Halifax of his change of address. He said he hadn't wanted to close his account, and asked for it to be re-opened. He complained about being asked to repay the overdraft balance in 30 days, and about the likely impact on his credit file. He complained about Halifax increasing its overdraft charges in 2017, and refusing to let him convert his overdraft balance at the time into a loan. And he complained about two missing payments, which he had expected to receive but which had not been paid into his account and which now made up the majority of his overdraft balance.

Later on, in May 2022, Halifax defaulted Mr R's account and reported this to the credit reference agencies. Mr R complained about that too. He said the account should not have been defaulted, as he had wanted to agree a repayment plan. He also said that Halifax had given confusing or conflicting information, because one of its call handlers had told him that his account had been closed in May 2022, when it had actually been closed in December 2021, when the switch had been completed.

Halifax apologised to Mr R for the difficulty he had experienced in telling it about his change of address, but suggested that he should have visited his local branch to tell it in person. (Mr R says that was not practical, because it was twenty miles away, which was too far for him to travel during his lunch break). Halifax said that Mr R's new bank had instructed it to close his account, so that's what Halifax had done. It was not its fault that it had sent letters to his old address, since it hadn't known about the new one. When the 30 day deadline had expired without the debt being repaid, Halifax had been entitled to send the account to recoveries. In 2017 it had given him two months' notice of the changes to its overdraft fees, during which he could have closed his account if he did not wish to accept them. And it had been entitled to decline his loan application.

Being dissatisfied with that outcome, Mr R brought this complaint to our service. (Halifax objected to our service considering the complaint issues about the 2017 overdraft charges and the two missing payments, because it said Mr R had not raised those matters before. But they were in his original complaint letter on 29 April 2022, so our investigator dealt with them.)

Our investigator did not uphold this complaint. She said that Mr R should have found another way to tell Halifax about his new address, since that was not only common sense but was also a requirement in Halifax's terms and conditions. She recognised that visiting a local branch would have been inconvenient, but she still thought he should have done that. She said Halifax had done nothing wrong by sending its letters to the address it held on file, or by closing Mr R's account as instructed during the switching process, or by defaulting his account when he had failed to pay the debt within 30 days. She said Halifax had been entitled to change the terms on which it offered overdrafts, and to decline his loan application. She said there was not enough evidence about the missing payments for her to be satisfied that they were really missing.

Mr R did not accept that decision, and so this complaint was referred for an ombudsman to review it.

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.

That includes the matters Halifax said we could not consider, because they were mentioned in his original complaint letter. (Halifax even addressed the 2017 overdraft charges in its final response letter.)

I do not uphold this complaint. I will explain why.

The overdraft charges and the loan application

Halifax gave more than two months' notice about the changes to its overdraft fees in 2017. I don't think it breached any regulations when it did so. Nor did it have to convert the overdraft balance into a loan. Also, I note that Mr R's loan application was for home improvements, and was for much more than the overdraft limit, and was made more than a year after the changes, so I don't think that they really had anything to do with each other.

The change of address, the formal demand, and the default

Section B3 of the current account terms and conditions says:

"You must tell us if your name or contact details change. If you don't, you may miss out on important information or we could send confidential information to the wrong address. If this happens it won't be our fault."

That clearly puts the onus on the customer to tell the bank that he has moved, and explains the potential problems that can arise if it is not complied with. It seems reasonable to me, as it is a matter within the customer's knowledge and not the bank's, so I don't think it is an unfair term (Mr R has not argued that it is, but I considered it anyway for completeness).

While it is regrettable that the banking app did not accept Mr R's new post code, I don't think that means that Halifax was at fault for sending the overdraft letters and formal demand to his old address. That was the only address Halifax knew about at the time. And it's not as if

there was no other way to tell it about the new address. I accept that when Mr R phoned the bank there was a recorded message telling him to use the app instead, but he could have stayed on the line until he had the opportunity to speak to a person about it. Or he could have sent an email, or posted a letter, or as a last resort – as inconvenient as it might have been – he could have made the time to visit a branch. (Many things about moving house are inconvenient I'm afraid.)

The formal demand was eventually forwarded to Mr R's new address, arriving on 29 April. (He mentioned receiving that letter in his original complaint.) That was after the 30 day deadline for payment had expired. But it was still not too late to avoid the account being defaulted. The account had not yet been defaulted, and the formal demand said that this would not happen after 30 days, but after two months. The account was defaulted on 25 May.

According to the bank's internal notes, Mr R phoned Halifax the next day, on 26 May. He was invited to go through his income and expenditure on the phone. But he declined to do that, and so an income and expenditure form was sent to him in the post instead, and he agreed to fill it in and return it. Meanwhile, his account was put on hold for 30 days. However, the form was not returned to Halifax until July. He offered to pay £100 a month.

I understand Mr R's reasons for not acting more quickly, and they are certainly not unreasonable. But my remit is not to judge his actions but the bank's. I think that the bank gave adequate notice that the account was going to be defaulted, and of what Mr R would have to do to avoid that happening, and that it allowed a reasonable time to elapse before the account was defaulted.

Mr R has argued that the original 30-day period (which started on 15 March) should not have begun until 29 April, when he received the formal demand. I don't agree, because the bank had to send the notice to the address it had for him, but even if the time had been extended in that way, and the default had been delayed to 29 May, or to 29 June, no payment plan was actually agreed until July. So I think the account would still have been defaulted before the payment plan was agreed.

Account closure and conflicting information

The new bank told Halifax to close Mr R's account, as part of the account switching process. Halifax was therefore only following what it believed to be its customer's instructions. By the time Mr R asked it to cancel or undo the switch it was too late.

Halifax withdrew Mr R's banking facilities in December 2021. But for the fact that it was overdrawn, the account would have been closed then. However, because of the overdraft balance, his account was not technically closed, and he continued to have an account until it was defaulted in May 2022. I can see how this must have been confusing, as the word "closed" was being used to describe two different things that had happened at different times. That's not ideal. But Mr R still knew the essential facts: that he no longer had an operating current account with Halifax, and that he owed an overdraft balance. So I don't think that he was really misled. Consequently, I don't think it is necessary to order Halifax to pay Mr R compensation for that matter.

Missing payments

Since there appears to be doubt over which of Mr R's bank accounts the refund was supposed to be paid to, and whether his father's money ever left his father's account, there is not enough evidence for me to conclude that either of the relevant payments have gone astray.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 2 January 2024.

Richard Wood
Ombudsman