

## The complaint

Mr W complains that Bank of Scotland plc (trading as Halifax) debited his credit card account taking him over the credit limit which caused a payment to be declined. He's concerned about the impact on his credit record and he's also unhappy with the service Halifax provided.

## What happened

In September 2022 Mr W made a successful claim under section 75 of the Consumer Credit Act 1974 (CCA) and Halifax refunded over £9,500 to his credit card account. The following February Mr W received a refund from the retailer in relation to the same claim so he told Halifax about this and asked how to pay back the refund it had provided.

Halifax responded to say it had debited the relevant amount from Mr W's credit card account which would appear on his next month's statement. This was in line with Halifax's normal process in this situation but the fairly large debit took Mr W's account over the credit limit and he was unable to make a payment using his credit card on one occasion. Mr W made a payment towards the account to bring it back within the credit limit but he feels Halifax should have offered more options – such as allowing him to pay by instalments or increasing his credit limit. He wants Halifax to apologise, reverse any detrimental impact on his credit file and pay £500 compensation for the stress, anxiety and frustration caused.

Halifax said (in summary) its processes were followed correctly. Customers who receive a section 75 refund are told that the account can be re-debited and Mr W had the option to transfer the funds received from the retailer to cover the debit. It also looked at increasing the account credit limit but the relevant team declined. And Mr W wasn't reported to credit reference agencies (CRAs) for exceeding the credit limit.

Our investigator didn't think Halifax had made an error or acted unfairly in debiting Mr W's account. She was satisfied this was in line with its normal process - and no adverse information was reported to Mr W's credit record as a result of the debit – so she didn't recommend the complaint should be upheld.

Mr W disagreed and said (in summary):-

- the investigator reached her view based on whether Halifax followed its own internal processes in relation to the section 75 debit but the scope of her investigation should have addressed whether or not those processes were fit for purpose;
- the refund from the retailer was in the form of a future credit, not cash, so he couldn't transfer this to his credit card;
- he warned Halifax that debiting the whole amount in one go would cause problems and he was advised to ring customer services to discuss a payment plan but the person he spoke to on the number supplied (during four hours of calls over two days) seemed out of their depth and didn't offer any assistance;
- Halifax's processes around this aren't fit for purpose – it could have made two or more smaller debits to keep his account within the limit and, if he'd attempted the same transaction exceeding the credit limit, it would have been declined yet Halifax

was able to do so;

- Halifax may have told us no adverse information was reported to CRAs but he received a letter stating the opposite - so either the letter was a threat that wasn't carried out or Halifax is being misleading.

The investigator didn't change her view. She explained that our service isn't a regulator and we can't interfere with Halifax's internal processes. She was satisfied that Halifax had followed its usual process here and didn't act unfairly. She acknowledged we'd expect a lender to work with a consumer to arrange a payment plan (for example) if a debit like this would cause financial difficulties but she thought that only be appropriate if there was no other option - as this sort of arrangement would likely impact adversely on a consumer's credit record. She accepted Mr W was sent a letter to say he'd exceeded his credit limit but she's satisfied that Halifax provided proof that no relevant adverse information was reported to his credit file.

Mr W says Halifax failed to demonstrate "joined up" thinking and applied its processes to his case in a shambolic fashion - which is something our service should take into account. He asked for an ombudsman to review the matter – including whether Halifax's processes were fit for purpose.

### **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 can see that Mr W feels very strongly about what happened here. He says he tried to do the right thing by pursuing the retailer for some months, even though Halifax had already provided a refund under section 75 for his claim. And I understand he feels aggrieved that, when he told Halifax the retailer had agreed to compensate him for the same claim, this caused Halifax to debit his account taking it over the credit limit. I have no doubt that was frustrating and inconvenient for Mr W - who was unable to use his card for one payment and also had to transfer funds to bring the account back within the credit limit.

I don't think Mr W disputes that Halifax was entitled to have the refund it provided in response to his section 75 claim returned when the retailer agreed to compensate him for the same claim. I think the crux of Mr W's complaint is about the way Halifax dealt with taking back the refund. He feels the process used was unfit for purpose and he's disappointed with Halifax's customer service.

As the investigator has explained, it's not within the remit of the Financial Ombudsman Service to tell any financial business how to operate on a day to day basis. I'm not a regulator and I don't have the power to look into Halifax's internal processes in the way I think Mr W would like me to. My role here is to decide if Halifax made a mistake or treated Mr W unfairly or acted unreasonably when dealing with his section 75 complaint.

Having considered the evidence, I'm satisfied that Halifax acted in line with its usual process when it debited the refund from Mr W's credit card account. I appreciate Mr W feels Halifax had other options – which would have been better for him – but I'm afraid Halifax wasn't obliged to process the debit any differently in the circumstances. As far as I can see Halifax did try to assist Mr W – when he had a payment declined due to being over the credit limit it looked at increasing his credit limit but he didn't meet the criteria unfortunately. Like the investigator, I think repaying the money by instalments would probably have involved some sort of payment arrangement and it's unlikely Mr W would have wanted that - given the impact on his credit record.

I realise it must have been frustrating and worrying for Mr W to receive a letter to say he'd gone over the credit limit on his account. It looks as if this was the sort of standard letter a lender is obliged to send in this situation and I can't fairly find it was intended as a threat. I'm satisfied that Halifax has supplied evidence which indicates no adverse information was reported to Mr W's credit file as a result of the refund being debited. The investigator asked Mr W if he had any information to contradict this but he hasn't sent us anything further. And I'm unable to reasonably conclude that Halifax has been misleading, in the circumstances.

I have sympathy for the situation Mr W found himself in here and I understand his frustration. For the reasons set out above however I'm not persuaded that Halifax made a mistake and I don't think it treated Mr W unfairly or acted unreasonably in all the circumstances. So I'm unable to reasonably require Halifax to pay compensation or do anything else. I realise this decision is likely to come as a disappointment to Mr W but he's not obliged to accept what I've said – in which case it remains open to him to pursue this matter by any other means available.

### **My final decision**

For the reasons set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 30 November 2023.

Claire Jackson  
**Ombudsman**