

The complaint

Mr F complains Bank of Scotland plc trading as Halifax didn't treat him fairly when he experienced financial difficulties.

What happened

Mr F had a personal loan, credit card account and overdraft with Halifax. In 2019 he explained he wouldn't be able to keep up with his repayments. He complains Halifax didn't do enough to support him and its actions led to his credit file being adversely impacted. Halifax didn't accept it had treated Mr F unfairly. Our Investigator wasn't persuaded it had. Mr F disagreed so I was asked to review the complaint and make a final decision.

I issued a provisional decision. I said:

"In late 2019 Mr F knew he would struggle repaying his loan, credit card account and overdraft. He wanted Halifax to combine his debt into a restructured loan to reduce his monthly repayments. Halifax declined his request. Mr F complained about this and received a final response dated 8 October 2019. I don't have the power to consider this complaint because it wasn't referred to our service within six months of the final response being issued – see DISP2.8.2(R).

Halifax's notes show a discussion took place in January 2020 where Mr F's circumstances were discussed, 30 days' breathing space (and a minor refund) was applied, and Mr F would complete an income and expenditure form. The notes say Mr F was told of the impact of missed repayments on his credit file. The notes show similar discussions happened in February 2020 and ultimately short-term plans were agreed for all the accounts. They also show Halifax applied a refund and Mr F was again told of the impact to his credit file.

The loan

The short-term plan for the loan was set out in a letter dated 22 February 2020. It said Halifax would accept £213.44 a month, for three months – instead of the £646.80 contractual repayments – and interest would be suspended. I find this was fair and reasonable as it gave time for Mr F's financial circumstances to improve. Unfortunately, this plan failed because Mr F needed the money for day-to-day living expenses. In March 2020 Halifax agreed a further 30 days' breathing space.

Halifax responded to a complaint from Mr F in April 2020. It said, amongst other things, that the collections team was there to help customers with short term financial difficulty – normally for three to six months. If this isn't enough, a better solution is for the account to be defaulted, which will show on a credit file for six years, but it does allow for longer term repayment plans and for interest and charges to be stopped.

I find this was appropriate advice. While Mr F was keen for Halifax to do something to assist him, said help can only go so far before the underlying contract is breached (defaulted on). When a borrower isn't maintaining their contractual repayments,

Halifax has an obligation to report this to the Credit Reference Agencies ("CRAs") so that other lenders (and others) are aware when making their own decisions.

The loan was defaulted on 18 May 2020 and this was reported to the CRAs. I find this was fair and reasonable in the circumstances. When the default notice was issued to Mr F in April 2020, he was £3,736.98 in arrears. He wasn't able to clear these arrears, or make his contractual repayments, or make reduced repayments. And there was no compelling reason to suspect his circumstances would materially change in the short term. Mr F had defaulted on his contract with Halifax. And while Mr F may disagree, defaulting can be a good thing because it permanently suspends interest and charges, generally allows for lower repayments and the sooner a default is registered with the CRAs, the sooner it drops off.

Mr F says he was told his credit file wouldn't be impacted. I have seen no compelling evidence to support this. Each of the letters he was sent said his credit file could be impacted. The contemporaneous notes show he was told his credit file would be impacted. In any case, if I were persuaded Mr F was told his credit file wouldn't be impacted, it wouldn't make a material difference. I say this because the remedy for incorrect information isn't to make matters as if the information was correct. It's to make matters as if the incorrect information hadn't been given, which here, would lead to the same result as Mr F couldn't have avoided the impact on his credit had he been correctly informed.

I'm satisfied Halifax did enough to support Mr F when he experienced difficulties making his loan repayments and that defaulting the account was fair and reasonable in the circumstances. I'm also satisfied Halifax ought to be reporting the loan status to the CRAs. Mr F has provided CRA data which shows the loan was showing as defaulted in December 2020, but by May 2021 was showing as satisfied. It's unclear to me why this is, but as it is to Mr F's advantage, and what he wants, I'm not going to interfere with it.

The credit card account

As part of the February 2020 plan, Halifax explained in a letter dated 22 February 2020 that to give Mr F a fresh start it had moved the arrears back into the balance. This meant rather than needing to make a minimum payment of £872.07, he could make contractual minimum repayments. Halifax also said it would accept reduced repayments of £63.62 for three months and freeze interest for three months. I find this was a fair and reasonable action on the part of Halifax as it did give Mr F a fresh start and allowed him some time for his financial circumstances to change.

Mr F didn't make any repayments in March, April, May or June 2020. He made a repayment in July 2020 of £254.48 (£63.62 x 4) but no repayments thereafter. The account was defaulted in April 2021. Given the account had been over its agreed limit for many months, and repayments weren't being made, I find it was fair and reasonable for Halifax to consider the account in default in April 2021. And, as above, this may have been a good thing, as it permanently suspended interest, which was circa £110 a month given Mr F's high balance.

Mr F would like the credit card account to be removed from his credit file. He says this, broadly, because he was told missed repayments on his credit card wouldn't impact his credit file and what Halifax has done with his loan shows this to be the case. As with the above, I'm not persuaded Halifax said Mr F's credit file wouldn't be impacted, and also as above, if it did, it wouldn't make a material difference. Further, Halifax doing something it didn't have to (to Mr F advantage) for his loan doesn't

mean the same must be done for his credit card account.

The overdraft

I have very little information about this account other than a limit reduction plan was agreed in February 2020 and some interest/charges were refunded. As what's happened on this account doesn't seem to be in contention, or indeed complained about, I haven't considered it as part of this decision.

Overall

I sympathise with Mr F. He experienced financial difficulties, seemingly predominantly for reasons outside his control. But I must approach this matter objectively and having done so, I'm satisfied Halifax provided sufficient short-term support and was fair and reasonable in defaulting the accounts and reporting them as such to the CRAs.

My provisional decision

I don't intend to uphold this complaint."

Neither party provided any materially new evidence or arguments in response to my provisional 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.

In the absence of any materially new evidence or arguments from either party, I see no compelling reason to depart from my provisional decision.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 16 November 2023.

James Langford
Ombudsman