

Complaint

Mr T is unhappy that Bank of Scotland Plc (trading as “Halifax”) reported adverse information to credit reference agencies about his overdraft once it closed his account.

Background

In April 2022, Halifax took the decision to close Mr T’s account and it sent him a letter confirming that it would be doing so in two months. On the day Mr T’s account was due for closure two direct debits were paid causing the account to go overdrawn.

As a result Mr T’s account was closed with an overdrawn balance and after it didn’t receive payment Halifax started reporting adverse information to credit reference agencies. Mr T repaid the balance in October 2022 but was unhappy with the adverse information that had been reported and complained as a result.

One of our adjudicators looked into Mr T’s concerns. She didn’t think that Halifax had done anything wrong or treated Mr T unfairly and so didn’t recommend the complaint be upheld.

Mr T disagreed with our adjudicator’s conclusions and asked for an ombudsman’s review. So the complaint has been passed to me for a final decision.

My findings

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

Having carefully considered everything, I don’t think that Halifax acted unfairly towards Mr T and so I’m not upholding his complaint. I’ll explain why in a little more detail.

As our adjudicator explained to Mr T, a bank is generally under no obligation to continue offering accounts to a consumer if it doesn’t wish to do so. And as long as it provides reasonable notice a bank has no obligation to share its reasons for its decision to close an account.

In this case Halifax provided Mr T with two-months’ notice ahead of his account being closed. It’s also worth noting that the whole purpose of a bank providing notice in this way is ensure that a customer has enough time to make alternative banking arrangements. And in this case there appears to be no dispute that Mr T knew his account was due to close in June 2022.

However, on the day it was due to close, two direct debit payments totalling £295.44 left Mr T’s account. As a result this left Mr T’s account with an overdrawn balance on the day his account was due to close. I’ve seen records indicating that Mr T was sent a number of text messages telling him his account was overdrawn.

Furthermore, given the amount of the payments, I would have expected Mr T to have realised that they hadn't been made through any alternative banking arrangements he would have put in place, given he would have still had those funds.

So I think that Mr T ought to have been on notice that he may have had a balance owing on his Halifax account. I'm also mindful that Halifax wrote to Mr T in July 2022 asking him to get in touch about his account. I appreciate that Mr T says he didn't receive this letter.

But Mr T in any event did have a conversation over the phone with Halifax at the beginning of August 2022. And it doesn't appear to be in dispute that at this point he was told that he'd have to go to a branch to repay the outstanding balance remaining because the account was closed.

I'm therefore satisfied that Mr T was on notice that his account had an overdrawn balance which he had to go into branch to repay by the beginning of August 2022 at the absolute latest. And as Mr T didn't make the payment required to clear the balance until October 2022, I don't think that it was unreasonable for Halifax to report the information it did to credit reference agencies as it had a duty to report accurate information and this is what it was doing.

In reaching my decision, I've taken into account that Mr T has said he wasn't able to make a transfer to his account or make a payment over the phone. But this was because the account had been closed. And while I appreciate that it might have been more inconvenient for Mr T to have to visit a branch to make his payment, I don't think that this accounts for it taking him almost three months from when he was told he had to go into branch in order to clear the balance to him doing so.

Finally, I know that Mr T believes that during a call with one of its members of staff Halifax told him it would remove the adverse information it had reported. However, I'm satisfied that the person Mr T spoke said that they'd see if this could be done, rather than confirming that it would be done. In any event, I think that what Halifax has reported accurately reflects what happened, so I don't think that it is unfairly reporting adverse information about Mr T's overdraft.

I realise that Halifax's decision to close Mr T's account and then report adverse information about his overdraft will have been very disappointing to him. But overall I'm satisfied that Halifax has acted in accordance with its terms and conditions and in a way that's consistent with its obligations in relation to what it reports to credit reference agencies.

As this is the case, I don't think that Halifax has acted unfairly or unreasonably towards Mr T and I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr T. But I hope he'll understand the reasons for my decision and that he'll appreciate why I'm satisfied that Halifax hasn't treated him unfairly in this instance.

My final decision

For the reasons I've explained, I'm not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 15 August 2023.

Jeshen Narayanan
Ombudsman