

The complaint

Mr B complains that Bank of Scotland plc trading as Halifax unfairly terminated his loan agreement and recorded a default on his credit file.

What happened

Mr B took out a loan with Halifax in 2016. Payments were made in line with the loan agreement until September 2018 when a payment was missed. Between June 2019 and October 2019 Halifax agreed an arrangement whereby interest was suspended. In November 2019, Halifax started to apply interest again, at a reduced level. Between June and September 2020 Halifax agreed a payment hold which meant no sums were due. Mr B made loan payments in October and November 2020 but none were made in December 2020 and January 2021.

In early December 2021 Mr B contacted Halifax and explained he'd suffered a bereavement and was struggling to make his next payment. A 30 day hold was placed on Mr B's account. In January 2022 Mr B spoke with Halifax and gave some background concerning his circumstances. Halifax's contact notes show Mr B advised he was off work but in receipt of sick pay. No interest was charged to the loan from January 2022.

Mr B made monthly payments to the loan with the final being received by Halifax in April 2022. In May 2022 Mr B contacted Halifax and it agreed a 30 day hold for loan payments. In June 2022 Mr B spoke with Halifax and it approved a three month payment break. Halifax wrote to Mr B and confirmed the temporary plan would end in September 2022. Halifax's notes show it cancelled Mr B's direct debit mandate on 3 June 2022 to stop any payments being collected during the break. A further 30 day hold was placed on Mr B's loan in September 2022 and in October 2022 Halifax approved a three month hold. Halifax wrote to Mr B on 5 October 2022 to say the plan would run until 3 January 2023 and that he should make contact in advance of that date to discuss options. Halifax's contact notes show it spoke with Mr B again in November 2022 when he called to check the end date of the existing payment hold.

Halifax says no contact was made by Mr B before the payment hold ended in January 2023. Halifax sent Mr B a letter requesting contact and to advise no arrangement was in place on 13 January 2023. On 1 February 2023 Halifax wrote to Mr B and asked him to make contact before 19 February 2023, enclosing a default notice. On 21 February 2023 Halifax wrote to Mr B and said that if no contact was made within 14 days his loan would be terminated. On 13 March 2023 Halifax issued a letter to Mr B advising his loan had been terminated.

On 17 March 2023 Mr B contacted Halifax and was advised his account had been transferred to its recoveries department having been terminated.

Mr B complained about the way his loan was closed by Halifax and it issued a final response on 28 March 2023. Halifax said it had closed Mr B's account as it was in arrears with no arrangement in place. Halifax said it had sent several letters concerning Mr B's account and that it had been closed correctly, in line with its process. Halifax didn't agree to remove the default.

Mr B referred his complaint to this service and it was passed to an investigator. They thought Halifax had treated Mr B fairly and didn't ask it to take any further action to resolve his complaint. Mr B asked to appeal and said there was a balance of £623 outstanding. Mr B explained he'd been off work for the majority of 2022 and 2023 due to a close family bereavement and work related stress. Mr B also said Halifax had recently advised his direct debit remained active when his payment hold ended in January 2023. Mr B provided doctor's certificates to confirm he was off work as claimed and also advised he hadn't received all of Halifax's letters regarding the position of his loan. As Mr B asked to appeal, his complaint has been passed to me to make a 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.

I'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under. I'd also like to assure Mr B I've read and considered everything he's told us about his circumstances during the period in question, including the details of his bereavement and mental health difficulties. I'd like to add that I'm sympathetic to Mr B's circumstances and can see he's been through a particularly difficult time.

When a customer experiences difficulties making payments businesses are obliged to treat them positively and sympathetically. I'd expect Halifax to have noted what Mr B told it about his health, finances and circumstances overall and take that information into account when deciding how to support him. I can see that in December 2021 Mr B notified Halifax about a close family bereavement and asked for some help. Halifax had previously agreed to suspend interest on Mr B's loan and in December 2021 it agreed a 30 day hold. I've reviewed Halifax's contact notes and can see that each time Mr B spoke with it in the months that followed it listened to what he said and took his circumstances into account. Interest was waived which meant any payments Mr B made were solely used to reduce the outstanding balance.

Mr B spoke with Halifax in May 2022, June 2022, September 2022 and October 2022 to update it concerning his situation. Each time, Halifax agreed to place a hold meaning no payments were due. In my view, Halifax was sympathetic to Mr B's situation and gave positive support to Mr B at a difficult time.

Halifax has provided a copy of its letter to Mr B dated 5 October 2022 confirming the payment hold. Halifax's letter was clear in explaining payments wouldn't be due until 3 January 2023 and that Mr B should contact it before that date to discuss his account. Halifax's contact notes show Mr B called in November 2022 to check the end date of the payment hold. So I'm satisfied Halifax made Mr B aware he needed to make contact to discuss payments before the plan ended. And given the way Halifax had handled Mr B's account to that point, I see no reason it wouldn't have considered whether further support could be offered.

No contact was made with Halifax before the end of the payment hold on 3 January 2023. On 13 January 2023 Halifax wrote to Mr B to ask him to make contact. On 1 February 2023 Halifax wrote to Mr B again asking for contact and included a default notice. On 21 February

2023 Halifax sent Mr B a letter that said if no payment or contact was made within the following 14 days his loan account would be terminated. A final letter dated 13 March 2023 advising the loan account had been terminated was issued.

I understand Mr B's told us not all letters Halifax sent were received. But I've looked at all Halifax's correspondence and haven't seen any evidence that they were incorrectly addressed. I'm satisfied Halifax sent Mr B letters about his account in advance of its decision to terminate his loan as it claimed. And, as I've noted above, I'm satisfied Halifax's letter dated 5 October 2022 and Mr B's call with it the following month gave details of the relevant end date for the payment hold. So I'm satisfied Halifax made it clear to Mr B he would need to contact it to discuss future payments by 3 January 2023.

In response to the investigator, Mr B advised he'd recently been told by Halifax that his direct debit for the loan remained active. But I can see Halifax's contact notes show the direct debit was cancelled in June 2022 when it agreed the first of two three month payment holds. Given the payment holds lasted for multiple months, I think it was reasonable for Halifax to cancel Mr B's direct debit instruction at that point. And as I've noted above, I'm satisfied Halifax went on to ask Mr B to make contact before the end of the payment holds to discuss his account. If Mr B had taken that step prior to January 2023 and confirmed he was in a position to start making payments again, I'm satisfied Halifax would've arranged for direct debits to be collected. But given the account history and what Mr B had advised about his circumstances, I wouldn't have expected Halifax to start taking payments again without receiving an update first.

I'm very sorry to disappoint Mr B as I can see he's been through a very difficult time. But I'm satisfied Halifax provided positive and sympathetic support, in line with the regulations, and that its decision to terminate Mr B's loan account in March 2023 following the end of the payment hold was fair and reasonable. In the circumstances, I'm satisfied it's reasonable for Halifax to record a default on Mr B's credit file. As I haven't found evidence that shows Halifax treated Mr B unfairly or made a mistake by terminating the loan agreement I'm not telling it to take any further action.

My final decision

My decision is that I don't uphold Mr B's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 February 2024.

Marco Manente
Ombudsman