

The complaint

Mrs P complains that Bank of Scotland plc trading as Halifax closed her account and registered a default in respect of her overdraft when she advised that she was not going ahead with a proposed IVA (Individual Voluntary Arrangement).

What happened

On 21 October 2022, Mrs P notified Halifax that she proposed to enter into an IVA. She changed her mind and advised Halifax of this on 24 October. Halifax advised that it needed confirmation from the IVA practitioner. It went ahead and closed her account on 27 October. The account was in overdraft so Halifax registered this as a default. Mrs P obtained confirmation from the IVA practitioner and provided this to Halifax on 9 November. She said she didn't realise that Halifax was taking the action it did. It offered her £40 for the confusion caused.

On referral to the Financial Ombudsman Service, our Investigator said that Halifax had not given Mrs P adequate opportunity to provide the confirmation from the IVA practitioner. He proposed that Halifax remove the default from Mrs P's credit file.

Halifax said it couldn't do that as with the balance still showing on the overdraft, it would continue to be reported as being in default. It agreed however to write off the balance which stood at £1,089. It would then remove the default. Mrs P accepted this as a resolution to the matter.

Halifax went ahead and wrote off the overdraft balance. It advised that it had taken the necessary action with the Credit Reference Agencies (CRAs). However Mrs P advised that one CRA was continuing to report the balance on the overdraft and the default.

Halifax said it cleared the balance to nil, on 15 May 2023. Amendments were done, and it then put another request through to remove all negative credit file impact. This was keyed in in August to try to resolve it. It felt the issue was resolved based on credit file data received after this, however, on reviewing the credit file supplied by Mrs P it accepted that it was possible there was still an issue, so it requested a full deletion of the account. It offered £250 for the continuing delay in getting the credit file amended.

Mrs B said she wished to reopen the whole complaint and said that Halifax's offer was far too low. She proposed that it pay £1,500.

Halifax said its offer was reasonable, so the matter has been passed to me for further consideration.

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.

First of all, I have to consider Halifax's original resolution of this matter, and whether I think

that was fair and reasonable.

It is probably unusual for a customer to say they are entering into an IVA and then change their mind. I think it was reasonable for Halifax to freeze the account on being informed about the proposed IVA, but not to close it immediately and then apply a default. Mrs P appeared to have been running the overdraft with Halifax's consent reasonably. So I think Halifax's offer of compensation didn't really resolve the issue at hand. I think that the Investigator's proposed resolution of the matter, to ask Halifax to remove the default marker on Mrs P's credit file, was reasonable.

As it transpired, Halifax agreed to write off the overdraft and to remove the default marker. I think this was a substantial benefit to Mrs P. She no longer has the overdraft and doesn't have the worry of keeping to a payment arrangement which would have affected her credit file.

I appreciate that Mrs P believes that this had a knock on effect on her credit rating. Also she has suffered the stress, time and effort as well as the knock on effect this has had on her financial plans. I don't know enough about Mrs P's financial circumstances to say that the presence of the default and the outstanding overdraft is solely responsible for her credit rating being poor. However I think it unlikely. Even to propose entering into an IVA must have meant that Mrs P had substantial debts.

Mrs P also asserts that her in-laws were paying her £100 a month towards childcare costs. When the account was closed her in-laws couldn't make arrangements to pay that into a different account. However I don't think that was a reasonably foreseeable consequence of Halifax closing the account and it has advised us that Mrs P was paying £100 a month to reduce her overdraft, which she no longer has to do.

So I think that the original resolution of this matter, which arose after the complaint was made to the Financial Ombudsman Service, was a fair and reasonable result.

As for Halifax implementing the removal of the default and recording the overdraft balance as being nil, I can understand Mrs P's frustration that, in respect of one CRA, the overdraft and the default kept being reported. It's difficult to know whether Halifax made an error here or whether it was the fault of the CRA. I've set out above the steps that Halifax took. And I note that it was reported to Halifax as being resolved. Certainly on its internal records the balance was shown as being nil.

Nevertheless the matter was prolonged for several months. I think that, for the extra stress caused to Mrs P, the proposed payment of £250 is fair and reasonable. I will direct Halifax to make that payment, but I don't consider that it should increase it.

Putting things right

Halifax has reduced Mrs P's overdraft balance to nil.

If it has not already done so, Halifax should take all the necessary steps to ensure that any default markers in respect of the overdraft have been removed from all internal and external databases.

Halifax should pay Mrs P £250.

My final decision

I uphold the complaint and require Bank of Scotland plc trading as Halifax to provide the

remedy set out under “Putting things right” above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs P to accept or reject my decision before 28 November 2023.

Ray Lawley
Ombudsman