

The complaint

Mr H complains that Bank of Scotland plc trading as Halifax have sent him misleading letters about extra loan repayments he has made.

What happened

Mr H has made overpayments on his Halifax personal loan, but he says the information Halifax included on their letters to him shows misleading information about the term coming to an end quicker than if he hadn't of made the extra payments. Mr H made a complaint to Halifax.

Halifax originally did not uphold Mr H's complaint. They said the letters they produce are system generated and they contain the additional payment amount, interest saved, and remaining payments on the loan. They said Mr H's additional payments were not enough in this instance to calculate any lower monthly payments on his loan, but overpayments in general will potentially reduce his loan term. Halifax said they confirmed the exact payments left on his loan, so there'd been no error in the letter.

Mr H complained to Halifax about how they handled his complaint. Halifax issued a further response, and they paid Mr H £40 compensation. They said although there'd been no bank error with the current additional payment process, this could've been positioned with their customers better. They had made a suggestion to the relevant team that the sentence in the repayment letter could read that his loan may come to an end more quickly and he may need to make less payments. Halifax agreed the wording in their original response to Mr H's complaint could have been clearer to him. Mr H brought his complaint to our service.

Our investigator did not uphold Mr H's complaint. He said the compensation payment made by Halifax was a reasonable amount for the inconvenience caused. He said they'd acknowledged their errors, and they looked to make improvements based on Mr H's experiences. Mr H asked for an ombudsman to review his complaint.

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.

Mr H has made a number of points to this service, and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.

I'd like to explain to Mr H that it is not within this service's remit to tell a business how they should run their policies and procedures, such as how they should word their additional repayment letters. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct Halifax to make changes to their policies and procedures, if necessary.

I've noted the strength of feeling that Mr H has about the wording of Halifax's letters to him when he makes an additional repayment to his loan. I understand Mr H is working hard to reduce his debt, so it is frustrating for him to receive letters informing him that "*Your recent payment means your agreement will come to an end more quickly, and you'll need to make less payments in total*".

As the additional payments that Mr H makes aren't always high enough to reduce the term of the loan, his agreement wouldn't always come to an end sooner. But I'm persuaded it would be fair as part of this same sentence to say "*and you'll need to make less payments in total*". I say this because the additional repayments would save Mr H interest, which is clearly indicated on the letter they sent Mr H. So as Mr H would not need to pay the full amount of interest that he would be required to pay if he didn't make an additional repayment, the amount of payments in total would be less (even if the number of payments he makes in the future may not be less).

Halifax are required under the Consumer Credit Act (CCA) 1974 to include certain information under section 97A of the Act where they issue a statement after an additional payment has been made. So I'm not persuaded they are unreasonable to use a template for additional repayment letters.

And I can't fairly say the information in the additional repayment letter breaches section 97A of the CCA, even if the letter could be clearer. I say this as the letter factually confirms how many payments Mr H has remaining. And it shows him the interest he has saved. It shows his next repayment amount, and the date it will be collected. So I'm persuaded that Mr H should be aware of the outstanding balance on his loan and how many repayments he would have left after his additional repayments, and the fact he would pay less overall due to the interest saved as a result of the additional repayments. So it would not be proportionate for me to ask Halifax to pay Mr H compensation for the contents of the additional repayment letter they sent him.

I've considered what Mr H has said about the original response to his complaint. The letter Halifax sent Mr H didn't represent his complaint to them accurately. Halifax have acknowledged this, apologised to Mr H, and they paid him £40 compensation for this. I'm satisfied that this is proportionate for Mr H having to get in touch with Halifax again to reiterate what he was actually complaining about, and it is in line with our awards for the inconvenience he was caused. As Halifax have paid this to Mr H, it follows I don't require them to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 October 2024.

Gregory Sloanes
Ombudsman