

## **The complaint**

Mrs L complains that Bank of Scotland plc trading as Halifax treated two transactions for gift cards as cash transactions. She's worried about the impact on her credit score.

## **What happened**

Mrs L holds a credit card account with Halifax. On 15 December 2023 she used her credit card to purchase two gift cards.

When she received her next credit card statement, Mrs L saw that the transactions had been treated as cash purchases. She then discovered that her credit score had been impacted due to a cash withdrawal being reported by Halifax.

Mrs L complained to Halifax. She was unhappy that the transactions had been treated as cash transactions. She was also unhappy about the customer service she'd received from Halifax.

In its final response dated 1 February 2024, Halifax said it wasn't upholding the complaint. It said the two transactions made on 15 December 2023 were classed as cash transactions because she had used her available credit limit in exchange for stored value for goods and services to be redeemed at a later date as cash substitute. Halifax said that even though the transactions may not appear as cash transactions on Mrs L's online banking statement, they were still considered to be cash equivalent transactions as per the terms and conditions of the account. Halifax said it wouldn't amend Mrs L's credit file.

Mrs L remained unhappy and complained to this service.

Our investigator didn't uphold the complaint. He said that Halifax hadn't made an error because the terms and conditions of the account stated that gift cards could be classed as cash transactions. The investigator also said that he'd reviewed the contact Mrs L had had with Halifax and couldn't see it had provided incorrect advice.

Mrs L didn't agree. She said she'd received information from the vendor of the gift cards in which it had confirmed that the code used didn't accurately reflect the transaction and that this had since been updated for future gift card transactions. Mrs L said that this showed that the information being reported by Halifax to the credit reference agencies was incorrect.

## **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've reviewed the terms and conditions of the account. Mrs L was sent notice of changes to the terms and conditions via online banking in July 2021. The changes to cash transaction types are set out at page 3. The terms and conditions explain that certain transactions will be treated as cash transactions. This includes the purchase of gift cards.

Having reviewed the terms and conditions I'm satisfied that Halifax hasn't made an error by

treating the purchase of the gift cards as cash transactions.

Since purchasing the gift cards, Mrs L has been in touch with the merchant. She's provided this service with a letter from the merchant which states that it has identified that its current merchant category code (MCC) for e-money gift cards could result in transactions being processed as cash transactions, potentially leading to fees or impacting credit scores. The letter goes on to say that the merchant has changed the MCC to one which does not impose risk and that going forwards, purchase of gift cards should not be affected.

I've taken account of the change of MCC by the merchant, and I've thought about whether this means that Halifax needs to take any further action. Having done so, I'm not persuaded that Halifax needs to amend Mrs L's credit file. I say this because the transactions which Mrs L has complained about were carried out before the merchant changed its MCC and have been correctly classified as cash transactions in line with the terms and conditions of the account. I'm therefore unable to say that Halifax has made an error by reporting the transactions to the credit reference agencies as cash transactions.

Mrs L has said that if Halifax has been told that the MCC wasn't accurate, it should amend the way it has reported the transactions to the credit reference agencies. However, I haven't seen anything to suggest that the initial MCC was incorrect. The merchant doesn't state this in its letter. The merchant recognised that the MCC was having an effect on how the transaction was treated by credit card, and took steps to mitigate the effect, but the merchant did not state that the MCC was incorrect.

For the reasons I've explained, I'm unable to say that Halifax has made an error.

I've gone on to consider the customer service aspects of Mrs L's complaint. I've reviewed the communication that Mrs L had with Halifax, and I appreciate that she found this a frustrating experience. I also understand that Mrs L wanted things to be resolved quickly. However, having reviewed the information provided to Mrs L by Halifax, I'm unable to say that this was incorrect or misleading in any way. I won't be asking Halifax to do anything further.

### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 12 August 2024.

Emma Davy  
**Ombudsman**