

The complaint

Mr M complains that Bank of Scotland plc, trading as Halifax, has defaulted his loan account.

What happened

Mr M had a Halifax loan account. He phoned Halifax in October 2023 and asked for a payment holiday. Halifax placed a 30 day hold on the account and wrote to Mr M confirming that a 30 day hold on the account was in place. Mr M then didn't make a payment to his account until March 2024 so Halifax sent two arrears letters to him in December 2023 and another in January 2024. A default notice was issued to Mr M in February 2024 as the account was more than three months in arrears. A final demand for the arrears of £443.72 was sent to Mr M in March 2024 but the payment he made was for £110 so the account was defaulted and his loan agreement was ended.

Mr M complained to Halifax but it said that as no error had been made it was unable to reverse the closure or remove the default. It also said that the loan was being sold and the purchaser would contact him to arrange repayment of the outstanding balance. Mr M wasn't satisfied with its response so he complained to this service. He said that he phoned Halifax in October 2023 to inform it that his business was closing down and to ask for a payment holiday. He said that he was informed that he should cancel his direct debit that was used to repay the loan and that it wasn't made clear to him that the payment holiday would only be for one month.

Mr M's complaint was looked at by one of this service's investigators who, having considered everything, didn't think that it should be upheld as he thought that Halifax had acted fairly. He said that Halifax made it clear in October 2023 that the account was on hold for 30 days but Mr M didn't contact Halifax when the hold ended and didn't begin making payments again. He said that the account became more than three months in arrears so Halifax began the process of defaulting the account in-line with guidance from the Information Commissioner's Office. He said that Mr M then needed to clear the arrears of £443.72 but only paid £110 in March 2024 so the account was defaulted, which he thought was reasonable. He said that Halifax gave Mr M several months in which to contact it to discuss his situation and set up an arrangement, which he didn't do, and it also signposted him to debt advice organisations.

Mr M has provided detailed responses to the investigator's recommendation and has asked for his complaint to be considered by an ombudsman.

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 M says that he phoned Halifax in October 2023 to inform it that his business was closing down after he'd spent his life savings trying to keep it open during lockdowns and economic crisis and that he asked for a payment holiday. But the recording of that phone call shows that he didn't mention that his business was closing down or that he was experiencing significant financial difficulties. Halifax said it could put a 30 day hold on his account to give him time to contact debt advice organisations about the best options for him. There was no mention in that call of a six month payment holiday and he wasn't told that he should cancel his direct debit.

Halifax said that Mr M didn't need to make a payment during the 30 day hold, but that arrears would start to build up on the account. It also said that it was important that he contacted it before the hold ended if he still needed help and that failure to make payments that were due on the account would result in information being reported to the credit reference agencies and that his account could be defaulted.

Halifax wrote to Mr M after that phone call to confirm that it had put a 30 day hold on his loan that would end in November 2023. The letter included sections describing what would happen during the hold and things to think about. Mr M didn't contact Halifax when the hold ended and didn't make the loan payments that then became due so his account went into arrears.

Halifax sent two arrears letters to Mr M in December 2023 and another in January 2024. Those letters described the action that he needed to take and the help that was available to him if he wasn't able to make payment. Mr M didn't pay the arrears and didn't contact Halifax so it sent a notice of default to him in February 2024. The notice said that if Mr M didn't make a payment of £332.79 by the end of that month it might end the loan agreement.

Halifax sent another letter to Mr M in March 2024 when the arrears on his account had increased to £443.72 which described the consequences of non-payment and the options that were available to Mr M. Mr M made a payment of £110 to Halifax but didn't clear the arrears on the account so Halifax ended the loan agreement later that month.

Mr M has provided detailed responses to the investigator's recommendation and has explained the difficulties that he's experienced but I don't consider that any of the information that he's provided shows that Halifax has acted incorrectly in connection with his loan account. I consider that Halifax has acted as I would expect it to have acted in connection with the arrears on Mr M's account and in ending the loan agreement. I'm not persuaded that it would be fair or reasonable in these circumstances for me to require Halifax to take any action in response to Mr M's complaint.

Halifax has said that Mr M's loan was being sold and the purchaser would contact him to arrange repayment of the outstanding balance. If that has happened, I suggest that Mr M contacts the purchaser and explains his financial situation to it (if he hasn't already done so). It's required to respond to any financial difficulties that Mr M is experiencing positively and sympathetically.

My final decision

For these reasons, my decision is that I don't uphold Mr M's complaint.

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

Jarrold Hastings
Ombudsman