

The complaint

Ms O complains that Bank of Scotland plc, trading as Halifax, hasn't defaulted her two bank accounts, credit card account and loan account after she entered into a debt arrangement scheme.

What happened

I issued a provisional decision on this complaint last month in which I described what had happened as follows:

"Ms O entered into a debt arrangement scheme which was approved in June 2020. She contacted Halifax in April 2024 about the information that it was recording on her credit file. It treated the issue as a complaint about her loan account and sent a final response letter to her later that month. It declined her complaint because it said that it's required to report the true and accurate status of customers' accounts to the credit reference agencies and it was reporting that Ms O was in a debt arrangement scheme and gave the balance of her account.

Ms O wasn't satisfied with its response so complained to this service. She said in her complaint form that she was requesting that the information for her two bank accounts, credit card account and loan account with Halifax be recorded as defaulted as the original agreement was broken so that her accounts don't show as being in arrears. She said that she understood the repercussions of a default status on her accounts as that was explained to her when she entered into the debt arrangement scheme. Ms O's husband has also made complaints to this service about Halifax not defaulting his accounts when he entered into a debt arrangement scheme. Those complaints are being dealt with separately.

Ms O's complaint was looked at by one of this service's investigators. He said that he thought that in this case the fairest and most reasonable option would be to default the loan account, backdated to the date of the debt arrangement scheme. Halifax said that it didn't agree with the points noted by the investigator but confirmed that, in an effort to resolve matters, it would apply a default to Ms O's loan account backdated to September 2020. Ms O said that the default should be applied to all four of her accounts.

Having considered everything, the investigator said that Ms O's complaint should be upheld. He thought that in Ms O's circumstances the fairest option was that Halifax should default all four accounts backdated to September 2020. He said that this isn't the normal approach that this service would take as it wouldn't normally advise a business to default an account in these circumstances.

Halifax had already said that it believes the decision not to default the loan account to have been the correct one and that Ms O should seek financial advice and that her debt adviser should have made her aware of the scheme process which doesn't involve defaulting accounts. It didn't agree to default the accounts so I've been asked to issue a decision on this complaint".

Provisional decision

I set out my provisional findings in my provisional decision. I said:

"Debt arrangement schemes were introduced by the Scottish government in 2004 and are only available to Scottish residents. Under a debt arrangement scheme, the consumer agrees to repay the full outstanding capital debt with no further interest and charges applied. The aim of the scheme is to help consumers to avoid having to enter into an individual voluntary arrangement or declaring insolvency and debts which are included in the scheme can't be the subject of enforcement procedures. A default is a form of debt enforcement so a debt that's included in a debt arrangement scheme shouldn't be defaulted.

Ms O entered into a debt arrangement scheme which was approved in June 2020 and I understand that her two bank accounts, credit card account and loan account with Halifax were included in that scheme. As those accounts were included in the scheme, I consider that Halifax acted correctly in not defaulting them.

Banks are required to report true and accurate information about customer's accounts to the credit reference agencies. Halifax says that it's reporting that Ms O was in a debt arrangement scheme and gives the balance of her loan account. I'm not persuaded that there's enough evidence to show that the information about Ms O's two bank accounts, credit card account and loan account that's recorded on her credit file isn't true and accurate.

Although it's clear that Ms O would like the accounts to be defaulted, I'm not persuaded that there's enough evidence to show that Halifax has acted incorrectly in these circumstances. I appreciate that this will be disappointing for Ms O, but I find that it wouldn't be fair or reasonable for me to require Halifax to now record the accounts as defaulted, to change the information about the accounts that it's recorded on her credit file or to take any other action in response to her complaint".

Subject to any further comments or evidence that I received from Ms O and Halifax, my provisional decision was that I didn't intend to uphold Ms O's complaint. Halifax has accepted my provisional decision and says that it has nothing further to add but Ms O hasn't responded to it.

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.

As Halifax has accepted my provisional decision and Ms O hasn't responded to it, I see no reason to change my provisional findings.

My final decision

My decision is that I don't uphold Ms O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms O to accept or reject my decision before 24 March 2025.

Jarrold Hastings
Ombudsman