

## **The complaint**

Mr M has complained about the changes that Bank of Scotland Plc (BOS) made to its overdraft pricing structure. He says the charges applied to his account as a result of this change have caused him financial difficulty.

## **What happened**

In 2017 BOS contacted Mr M to say it would be changing the way it charged for overdrafts. Mr M says he initially didn't see how these changes would impact him as he feels they were presented in a confusing and unclear way.

During 2018 and early 2019 Mr M contacted BOS several times to say he wanted the charges stopped. BOS took some steps to help but Mr M did not feel it had done enough and so raised a complaint with BOS. BOS didn't uphold Mr M's complaint. It said the charges had been applied fairly. BOS did though acknowledge that it could have given Mr M different advice about how he could potentially avoid charges when he first contacted it in 2018. Mr M remained dissatisfied and referred his complaint to our service.

One of our adjudicators looked into Mr M's concerns and concluded that BOS hadn't done anything wrong or treated Mr M unfairly. So she didn't recommend the complaint be upheld. Mr M disagreed and so the complaint was passed to an ombudsman for a final decision.

## **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.

Having carefully considered everything provided, I've decided not to uphold Mr M's complaint. I'll explain why I've done so in a little more detail.

Before I go any further, I want to be clear in saying that I haven't considered whether the amounts BOS charged were fair and reasonable, or proportionate in comparison to the costs of the service provided. Ultimately how much a bank charges for services is a commercial decision.

I've noted Mr M's comments about how the new charging structure was explained to him. And the Financial Conduct Authority (FCA) as part of its 2018 and 2019 High cost credit: overdrafts review, did go on to conclude that APR interest rates were the simplest and most transparent way of displaying the cost of an overdraft – especially in terms of comparing the cost between banks and to other forms of credit. But the new rules which followed the review only came into force in April 2020. A requirement for a bank to display the APR of an overdraft wasn't in place prior to this and the new requirement wasn't retrospective either. So I don't think the way BOS set out its charging structure in 2017 meant that it did something wrong at that time.

So while I appreciate that Mr M is unhappy at the change in BOS's overdraft charging structure, I'm afraid that this isn't something for me to get involved with.

That said, while I'm not looking at BOS's charging structure changes per se, it won't have acted fairly and reasonably towards Mr M if it implemented these changes unfairly. For example, in circumstances where he was in financial difficulty and it took no steps to mitigate the effects of the proposed changes and this compounded his difficulties.

So I've considered whether BOS treated Mr M fairly and reasonably when it implemented these changes on his overdraft. And having thought about everything, I don't think that BOS did treat Mr M unfairly or unreasonably here.

Mr M first contacted BOS in May 2018 to say he was unhappy with the charges that were being applied. And it appears that at that time BOS suppressed the charges on his account for a short time to give him some breathing space. BOS also offered to look at a repayment plan to help Mr M bring down his overdraft. Mr M then contacted BOS again in August 2018, after the charges started to again be applied to his account, BOS agreed to suppress the charges for another month, and again offered to look into agreeing a repayment plan for the overdraft, but Mr M explained that he was awaiting a large credit to his account. Shortly afterwards Mr M was able to repay most of the overdrawn balance of his account.

I appreciate that BOS have said they could have given Mr M some different advice – about opening a different kind of account which would have charged differently for his overdraft – in 2018, but there was no guarantee that if Mr M had been told about that account he would have been eligible to open it or eligible for the level of overdraft he would have needed to clear the overdrawn balance on his existing current account. So I don't think I can fairly say that Mr M lost out because BOS didn't tell him about that account in 2018.

Mr M then contacted BOS again in June 2019, he explained that changes in his personal circumstances meant that the charges were affecting him even more negatively than before. BOS discussed Mr M's income and expenditure with him and explained that the only way they would be able to agree an affordable repayment plan for him would be to default the account. Mr M didn't want to agree a repayment plan that might negatively affect his credit file, so BOS left it up to him to contact their Money Management Team if he wanted further advice. Shortly afterwards Mr M was able to repay the full overdrawn balance of his account after receiving a large credit.

I think that BOS took appropriate steps to try to help Mr M in 2018 and 2019. And looking at Mr M's statements from before then, I also don't think there was anything that should have suggested to BOS that Mr M was in financial difficulties and needed help. I accept that Mr M had a large overdraft limit which he was using regularly. And that this in itself could be considered a sign of potential difficulty. But I'm mindful here that regular large credits were going into this account from multiple sources and that Mr M was able to repay most of, or all of, the overdraft on several occasions.

In these circumstances, I can't reasonably reach the conclusion that the overdraft had become demonstrably unsustainable for Mr M. So I don't think it would have been fair, reasonable or proportionate for BOS to have taken corrective action against Mr M's wishes at that stage. And any corrective action would likely have included removing the facility and recording a default or other adverse information, as that would be a consequence of permanently freezing the interest, fees and charges. I can see that BOS has now taken steps to default Mr M's account after it became clear that Mr M was no longer able to service his overdraft as he had previously, and that seems reasonable in the current circumstances.

Overall bearing in mind all of the circumstances, I don't think that BOS did anything wrong when changing its overdraft pricing structure and I don't think that it treated Mr M unfairly

when implementing the changes on his overdraft either. So it follows that I'm not upholding this complaint.

### **My final decision**

For the reasons I've explained, I'm not upholding 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 18 November 2021.

Sophie Mitchell  
**Ombudsman**