

The complaint

Miss G complains that TSB Bank plc (TSB) should have advised her differently when accepting a payment plan from a debt charity when defaulting on her credit card account would have been a better option for her.

What happened

Miss G has a credit card account with TSB and found herself in financial difficulties. She approached a debt charity and they agreed with TSB to accept reduced monthly payments over a period of six months. Miss G says that she didn't realise that she would continue to be charged interest and charges which meant that her debt with TSB wouldn't reduce. Miss G also says that TSB never suggested she would be better off financially if she defaulted on the account. It was only when Miss G said she wouldn't make the monthly payments to her credit card account that TSB agreed to freeze interest and charges and place the account with their recoveries team.

TSB says that they acted on the instructions of the debt charity employed by Miss G and had done nothing wrong in applying the interest and charges under this temporary payment plan. TSB says they refunded some of the late payment and over limit charges although they had no obligation to do so.

Miss G was unhappy with the response from TSB and referred the matter to this service.

The investigator looked at the information available but didn't uphold the complaint and felt that TSB had acted fairly when accepting the payment plan from the debt charity. The investigator says the Financial Conduct Authority (FCA) state that banks should only consider defaulting as a last resort and should try to work with customers to prevent this happening.

Miss G was unhappy with the investigators view and asked for the matter to be referred 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 done so, I have come to the same outcome as the investigator and for much the same reasons.

When looking at this complaint I have considered whether TSB should have suggested Miss G's credit card account should go into default as Miss G suggests, and if they acted fairly when applying interest and charges when agreeing the payment plan from the debt charity employed by Miss G.

I can understand that it would have been worrying for Miss G to see her credit card account debt wasn't reducing despite making the agreed payments under the payment plan agreed with TSB by the debt charity.

What happened here is that Miss G used the services of a debt charity to help negotiate a payment plan with TSB. I can see that a plan was approved by TSB and this was explained to Miss G in a letter in May 2019. I have looked at whether TSB agreeing an interest-bearing plan was the right decision here, but like the investigator I am satisfied that TSB have acted upon the request of the debt charity to simply accept reduced monthly payments, given her known income and expenditure provided by the debt charity.

It is worth noting the letter in May 2019 states that the plan is a temporary arrangement and will avoid any further recovery action. The letter also states that the account would remain in arrears. I can't see that TSB in that letter have agreed to freeze interest and charges at this point, given this was a temporary arrangement in attempt to get Miss G back on track. What is important here is that TSB, by agreeing to this plan on an interest-bearing basis, have tried to prevent any further recovery action taking place or putting Miss G's credit card account into default, this is what I would expect to see and in line with guidance set out by the FCA to try and work with customers when facing financial difficulties. I can't see that TSB, like any bank, should be expected to advise its customers to default as this may have other consequences and they have no responsibility to do so.

TSB have, without obligation, refunded 3 months late payment and over limit charges and I am satisfied this was fair and reasonable. I also understand that Miss G's credit card account is now with a debt collection agency and an agreed debt repayment plan has been agreed with interest and charges frozen – while I understand this is what Miss G felt should have happened at the outset, as I've explained before, I am satisfied that TSB had no obligation to suggest this to her at the time the original plan was put in place.

While Miss G will be disappointed with my decision, I will not be asking anymore of TSB here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 19 October 2020.

Barry White
Ombudsman