

The complaint

Miss T complains about the way TSB Bank Plc treated her when it chased her for an outstanding debt.

What happened

Miss T had a personal loan with TSB. In 2016 Miss T went through some personal difficulties and was put in a vulnerable position. She entered a debt management plan with a debt charity.

In 2017 Miss T had some conversations with TSB where she confirmed that she had a debt management plan set up. TSB recorded in the notes that Miss T was vulnerable. Some time later, Miss T was told by her debt management charity that she was debt free.

In May 2019, TSB wrote to Miss T saying she owed around £681 and that it would pass the debt on to a debt recovery agency. Miss T contacted TSB as she was concerned about this. She initially questioned whether the debt was hers. This was due to the difficulties she'd experienced in the past – which TSB was aware of – and because she believed she was now debt free. TSB said the amount was owed due to a loan she took out and sent her statements to show that an amount was outstanding.

Miss T said her statement showed there was nothing owed and was confused. She said she'd had a debt management plan in place. TSB didn't explain what it had received from the debt charity or why there was an amount outstanding. Miss T contacted her debt charity and it gave a summary of what it had paid TSB. After this, TSB responded to say that the payments stopped in 2018 and it hadn't cleared the debt. Miss T complained.

Our investigator explained that the debt was outstanding as it appears Miss T's debt charity didn't repay the full amount that was owed. But she felt that TSB could've done more to explain this to Miss T. Our investigator recommended TSB pay Miss T £200 compensation for the way it handled her query about the debt.

TSB disagreed with the recommendation. It said it hadn't made an error and that Miss T was aware that she owed money. It also said it didn't have a responsibility to chase the debt after the debt charity had made its last payment, but rather it was for Miss T to continue making payments. It asked for an ombudsman to review the complaint.

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.

Both parties agree that the outstanding debt is something Miss T does owe because it wasn't fully repaid by her debt charity, so I'm focusing my decision on how TSB treated Miss T when it asked her to repay this amount in 2019. Having thought about this, I agree with the investigator that TSB could've done better.

Miss T was, understandably, under the impression that she didn't owe any more to TSB as the loan was part of her debt management plan, and she'd been told this had finished. So, I can imagine the shock of being asked for money after 12 months of no contact. I don't think it's wrong that TSB asked her for this money. But when Miss T contacted TSB to find out why money was owed, I think TSB could've done more.

TSB didn't explain that the money owed was because the debt charity had stopped paying and hadn't paid enough. It could've given this information to Miss T at the outset. Instead it said that she owed it as it was related to a loan. It then sent her a statement to show she owed money. This caused further confusion as the statement shows there's no money owed on the loan. And I don't think it's reasonable to expect Miss T to have understood what a "charge off entry" means on the statement.

Miss T had to approach her debt charity and find out exactly how much was paid towards her loan. She gave this information to TSB and it was only after this that TSB explained this didn't clear the debt. And even at this point it didn't explain why. I think it could've done more. It could've explained to Miss T when she first contacted it about the letter she'd received why the money was owed. It could've explained how much was paid and why there was an amount outstanding. But it didn't do this and I think this would've caused Miss T trouble and upset.

TSB was aware that Miss T is vulnerable. It was made aware of the difficulties she'd been through, particularly involving debts created by her ex-partner. When Miss T explained that she was shocked and worried about receiving a notice that she owed some money, TSB could've explained that this was something she owed, why she owed it and how the amount was calculated. Instead it sent her statements showing a zero balance and left her to chase her debt charity to find out what had been paid so far. Given the experience Miss T went through relating to her debt problems, which TSB was aware of, I think this would've caused Miss T to be very worried and stressed for longer than she had to be. Especially as this could've been explained properly as soon as Miss T contacted TSB about the letter it sent her. So, I think £200 compensation is fair and reasonable to reflect the trouble and upset Miss T has experienced.

TSB has said throughout that it wasn't its responsibility to chase Miss T earlier for the debt. But I do think that when it did, and when Miss T asked questions about it, it could've done more to ensure she was clear about why she owed this money.

My final decision

I uphold this complaint. TSB Bank Plc should pay Miss T £200 compensation for the trouble and upset it caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 10 December 2020.

Charlotte Wilson
Ombudsman