

The complaint

Mr B complains that TSB Bank plc didn't remove a default notice on his credit file having been directed to do so by an ombudsman. He also complains that it unfairly defaulted a second account.

What happened

Mr B had a complaint investigated by this service after TSB defaulted his current account. In March 2016, the ombudsman deciding the case upheld the complaint, and directed that TSB was to remove the default from Mr B's credit file, show the account as satisfied and pay him compensation.

When Mr B checked his credit file early in 2020 he found he had two defaults recorded – one was the original one which the ombudsman had directed to be removed, and the second was from a student account that he said he didn't recognise, so didn't think the debt was his.

He complained to TSB. In their final response letter, TSB apologised that the default had not been removed as it should have been. They offered Mr B £250 in compensation and said it would ensure the default record was removed from his credit file. But it said the second account was his, (account number 007**360) and he had opened it shortly after his first one was closed. And it had been correctly defaulted as it was in debt, and he hadn't made any effort to reduce or clear this debt. But TSB agreed to refund the interest and charges that had accrued on the account as it hadn't sent Mr B any statements detailing these.

Mr B didn't accept TSB's decision or offer of compensation and complained to our service.

Mr B told our investigator he had not seen any statements for the account, and it was so long ago he couldn't be sure the debt was his. He also explained how TSB not removing the default marker had caused him significant stress and upset. And he was anxious about applying for credit as a result.

TSB told our investigator the second default had been applied correctly to his second account. It said Mr B opened this account shortly after the original one was closed in 2014. It was a student account, so had an interest-free arranged overdraft of £500. It said Mr B spent up to this limit and then stopped using the account in November 2015, but the £500 overdraft remained. TSB converted the account into a 'classic' account, and in September 2019 it started accruing interest and charges, and as Mr B had not made any effort to clear the debt and had not responded to its formal demand for payment, it defaulted the account. But as part of its investigation, TSB did find that it had not sent Mr B any statements for this account from when it began accruing interest and charges. So, TSB refunded the interest and charges applied, reducing the debt back to £500.

Our investigator's view was that Mr B's complaints should be upheld. She thought it would be fair and reasonable for TSB to remove the default from the second account (007**360) and pay Mr B £500 for the distress and inconvenience he had been caused.

TSB didn't agree with the view. It said although it agreed with the £500 compensation and confirmed the first default had been removed from Mr B's credit file, it maintained the default to his second account had been applied fairly and should not be removed. So, the complaint has been passed to me for a 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.

There is no argument that TSB didn't remove the original default as it was directed to do, and I'm glad that this has now been done. It has also been agreed that TSB will pay Mr B £500 compensation for the distress and inconvenience he has been caused. All that remains for me to decide is whether TSB fairly applied a default to Mr B's second account. And I don't think it did. I'll explain why.

This second account (007**360) was opened in 2014 – Mr B can't remember doing this, but having seen the account statements and payments going into and out of it, to and from other accounts held by him, I'm satisfied that it was his account. And as this was a student account, it had an agreed interest-free and charges-free overdraft of £500.

As I said, I've seen statements from when the account was opened until April 2018, and can see debits and credits until November 2015. At this point the balance is in overdraft up to the limit of £500 and there is no further activity. So, I'm satisfied that there is a debt of £500, and Mr B is responsible for this.

TSB has said the student account was converted into a 'classic' account, which meant the overdraft then began accruing charges and interest. But I've not seen anything which shows Mr B was informed of this, and indeed, TSB has said that an error meant it did not send Mr B any statements showing the interest and charges being applied. So, although I accept Mr B opened the account, and is responsible for the debt accrued, given the lack of activity on it over such a long period, on balance I think it's probably likely that Mr B forgot about it.

TSB said that it wrote to Mr B in October 2019, and again in November and December, telling him he needed to clear the overdraft from his account. But I don't think it told him about the impending changes to the account, and it didn't send any associated statements for the account. I think these, had they been sent, would have made it much clearer to Mr B what the letters meant.

Mr B did call TSB in relation to the letters in January 2020 and questioned the origin of the account and the amount owed. There was also confusion relating to the previous complaint resolution. Given the confusion, and his questions about the status of the account and the lack of statements, I think it would have been fair and reasonable for TSB to put the default process on hold at this point, until a full investigation was completed. But it didn't, and the account was defaulted in February 2020.

I've not seen anything which would lead me to believe Mr B was unable to clear the debt from his account when it was changed from a student, to a 'classic' account, nor when TSB wrote to him in October 2019. And had he been sent statements along with the collections letters, these would have clarified the nature of the debt, and I think, on balance, it's likely that he would have cleared it. But he wasn't, and as a result I'm satisfied that TSB applied a

default to the account without fully explaining why and knowing there were questions over the origins of the debt.

Putting things right

I'm satisfied it was unfair of TSB to apply the default to Mr B's account in February 2020, so this default should be removed from the account and his credit file altered to reflect this.

I'm also satisfied that £500 is fair and reasonable compensation for the distress and inconvenience TSB have caused him. Mr B has told our investigator that he would be willing for the compensation to be used to clear the debt he owes TSB, and I think that is a fair and reasonable outcome in the circumstances.

My final decision

I uphold this complaint. I require TSB Bank plc to do the following:

- Remove the default from Mr B's account number 007**360
- Arrange for details of this default to be removed from Mr B's credit file
- Pay Mr B £500 compensation for the distress and inconvenience it has caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 26 October 2020.

Chris Riggs
Ombudsman