

The complaint

Mr O complains about TSB Bank plc's actions when applying a default to his credit file.

What happened

Mr O held a current account with TSB which had an approved overdraft facility of £2,500.

In July 2019, TBS carried out a review on Mr O's accounts and subsequently decided to end their banking relationship with him. It followed that the overdraft facility was recalled.

On 8 August 2019, TSB wrote to Mr O and let him know that he'd need to pay the debt owed within 30 days. On 28 August 2019, TSB wrote to Mr O again as no payment had been received.

On 7 September 2019, a further letter was sent to Mr O asking for payment and explaining that any unarranged overdraft debt would be reported to the credit reference agencies.

On 1 October 2019, a final letter was sent to Mr O asking for immediate repayment. And the letter informed Mr O that if payment was not made within 13 days the debt would be transferred to a debt collection agency and a default would be applied. At this time, the outstanding debt was around £2,500.

On 12 October 2019, Mr O made a payment of £80 towards the debt.

On 19 October 2019, as the debt hadn't been settled, a default was applied.

The investigator thought the default had been applied fairly. She said Mr O was aware in August 2019 that his account with TSB would close and knew in September 2019 that the overdraft debt needed to be repaid. The investigator was satisfied that the overdraft was repayable on demand, and as it hadn't been settled, or a repayment plan agreed, TSB were fair to apply a default and they gave appropriate notice in the form of a letter to do so.

Mr O didn't agree. In summary he said;

- The letters TSB sent weren't enough because he'd received misinformation from TSB's representatives;
- TSB refused further payments to be made after he paid the first £80;
- TSB didn't send a default notice letter.

As an agreement couldn't be reached, the complaint has been passed to me to decide.

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 don't think TSB have done anything wrong. I know this will come as a great disappointment to Mr O – so I've explained my decision further below.

The account closure

Banks sometimes choose to end their relationship with customers. This can be due to a number of reasons, and a bank isn't obliged to give a reason to the customer. Just the same as if Mr O decided to stop banking with TSB, he wouldn't have to explain why. TSB can only close accounts in certain circumstances and if it is in the terms and conditions of the account. TSB have relied on and complied with the terms and conditions when closing Mr O's account. Having looked at the information provided by TSB, I'm satisfied that TSB was entitled to close the account immediately.

TSB exercised their right to no longer offer Mr O banking facilities and I've seen nothing to suggest that they've made an unfair decision. So, I can't fairly ask them to do anything differently.

The overdraft

TSB made the commercial decision to close Mr O's account with immediate notice – which also meant TSB cancelled the overdraft facilities on Mr O's account. TSB are entitled to do this. Overdraft facilities are repayable on demand. This means TSB can at any time ask Mr O to repay the full overdraft balance. That's what has happened here – so I can't reasonably say TSB are at fault.

Refusal to accept payments towards the overdraft balance

Mr O says TSB wouldn't accept payments towards his overdraft balance. I've listened to relevant call recordings between TSB and Mr O – and like the investigator, I don't agree TSB refused any payments. Most of the conversations relate to Mr O's credit card – which doesn't form part of this complaint and therefore I haven't considered or commented on these conversations as part of this decision.

On 11 September 2019, during a conversation about the overdraft, TSB informed Mr O no payment plans could be considered because the account was closed. I'm satisfied TSB removed the block from Mr O's account to allow the overdraft to be repaid in full later on in the month, but the only payment made towards the overdraft was £80.

I recognise Mr O asked about a repayment plan, so it was unlikely he was ever able to afford to repay the overdraft in full. But that doesn't mean TSB did anything wrong by asking for it. And I don't consider £80 towards a debt of around £2,500 is reasonable to prevent any further formal action. So, I can't fairly say TSB were unfair for continuing with the default process.

The default notice

I've thought about the default notice and Mr O's comments that the letters TSB sent him weren't enough. I've considered the letters, and the content of them carefully. The letters include informing Mr O that the overdraft was going to be removed, notices about the outstanding debt and the consequences of not paying the debt. These letters were sent to the registered address of Mr O so I'm satisfied TSB fulfilled their duty to send the correspondence they were required to.

It therefore follows that overall, I'm satisfied TSB have acted fairly. They were entitled to close the account and ask Mr O to repay the overdraft in full. And when they didn't receive sufficient payment from Mr O – and after informing Mr O of those consequences, they applied a default. Having considered the evidence, I think this was reasonable in the circumstances and therefore I won't be asking TSB to do anything differently.

My final decision

For the reasons I've explained above, I don't uphold this complaint.
Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 8 November 2021.

Hayley West
Ombudsman