

The complaint

Miss N complains about what happened after TSB Bank plc said it was going to close her account.

What happened

Miss N told us that TSB had said it was going to close her account. But it didn't. So Miss N said that meant she'd been incurring charges and her account is now overdrawn. TSB wouldn't close her account until these charges are paid.

Miss N didn't feel she was responsible for these charges as they have only accrued due to the bank not closing her account on the date it said.

Miss N wanted the account closed. She said at first TSB had offered to reimburse her for call costs, then it said it wouldn't do that. And the account was now affecting her credit file.

On 22 March 2019, TSB sent Miss N a letter which dealt with several complaint points. It also said that TSB thought the relationship between it and Miss N had broken down. So it said it would close her account in two months' time. That letter said Miss N's direct debits, standing orders, cheque books and debit cards would be cancelled then. And the letter asked Miss N to go into a branch to clear any debt on the account. But it didn't explain what would happen if she didn't do that.

TSB said it had taken this decision because of the unusual number of complaints Miss N had raised. It said it had acted in line with the terms of Miss N's account.

TSB said it couldn't close Miss N's account at the end of May, as she still owed it money. TSB had written repeatedly to Miss N, asking her to get in touch about the debt. When our service started to look at this complaint, in December 2019, TSB said it was now going to default Miss N's debt, but it put that action on hold while our service considered the case.

At first, our investigator thought this complaint should be upheld. He did think it was reasonable for TSB to decide to close the account. But he didn't think TSB had been fair when he looked at what happened after that. He said Miss N owed a few hundred pounds when the account was supposed to be closed. TSB hadn't paid any of Miss N's direct debits after this, but it had charged her for failed direct debits. Our investigator thought TSB should've closed Miss N's account when it said it was going to. He thought TSB should close the account, and all interest and charges after 22 May 2019 should be reimbursed. Miss N should then repay the outstanding balance.

TSB said that was wrong. It hadn't chosen not to close the account. It couldn't close it, because it was overdrawn. It said Miss N hadn't been in touch about paying what she owed, and it didn't think it was wrong of TSB to continue to apply charges under those circumstances.

Miss N said that she had opened a new account. She hadn't received any of the letters TSB sent asking her to pay the debt. She had moved house, but had redirection in place. And she

said that this debt was now affecting her mental health.

Our investigator issued a second view. He said TSB wasn't able to close the account down while it was in debt. Miss N hadn't paid this off, or cancelled her direct debits. So our investigator thought that interest and charges were incurred correctly. Miss N said she hadn't got letters asking her to pay back the overall debt, but our investigator thought they were sent to the address TSB held for Miss N. It wasn't TSB's fault if Miss N didn't get them.

Our investigator said he couldn't see any contact notes to support what Miss N said about having spoken to TSB to extend the closure date, so she could make a payment in June 2019. But the notes did suggest Miss N was in contact with TSB between March and May 2019 to repay the outstanding balance.

Our investigator said it may have been fair at first to apply charges and interest, but he thought the account should've been defaulted much faster than it was. He said TSB had issued a default notice on 28 August 2019. Our investigator thought this action should've gone ahead. He said that TSB should default the debt now, and backdate that to 27 September 2019. That would mean waiving all interest and charges after this date.

At first, TSB didn't agree. But our investigator stressed that TSB should've defaulted the account when it said it was going to, and continuing to apply charges after this date was unfair. TSB replied that it had now defaulted the account, on 23 March 2020. It had stopped charging interest or fees then, but didn't think any other payments should be refunded.

Then TSB changed its mind, and said it would refund interest and charges to take the debt back to where it was on 24 May 2019. Miss N would owe £299.00, which is what she owed just before her account was due to be closed. And TSB would backdate the default to 27 September 2019, as our investigator suggested.

Miss N said that after all the stress this had caused her, she was annoyed by this offer. And she said it had affected her health. Our investigator asked her how she would like to move things forward, but Miss N hasn't responded. This complaint then came to me for a final decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I proposed to uphold it in part. This is what I said then:

I think that what TSB has offered to do now is essentially what it should've done back in May 2019. It didn't close Miss N's account then, because the account was in overdraft. But it didn't have to keep applying interest and charges then. It had told Miss N that it was going to close the account, and that she'd need to make alternative banking arrangements. She's told us she did that.

If TSB was going to leave this account open, and to continue to charge Miss N interest if she didn't clear the balance by the end of May 2019, then I think it needed to be quite clear about this when it told her about the account closure. It wasn't. I think that it was wrong to continue to charge Miss N after this. So I am glad to see that TSB now proposes to refund any interest and charges it applied after 24 May 2019.

TSB has also offered to backdate the default in this case. I don't think TSB has really explained why default action wasn't taken promptly in this case. Miss N had made no

payments onto the account, and there had been no credits since early June 2019, not long after the date TSB gave for closing the account. So I think that backdating the default to 27 September is part of providing a fair outcome to this complaint, and I'm glad to see TSB has now also agreed to do that.

Miss N will then owe TSB £299, which is what she owed just before her account was due to be closed. I know Miss N says she doesn't think she should pay anything. But that debt is a mix of money Miss N has spent or transferred elsewhere, and fees and charges applied before the account was closed. I haven't seen anything that suggests to me it would be unfair for TSB to ask for that money back.

That puts Miss N back in the position I think she should've been in, if TSB had acted fairly from the outset in this case. But it doesn't recognise that Miss N has had to complain to our service to get this issue sorted out. Miss N said the stress of all this made her unwell. I think TSB should pay Miss N £100 in compensation to make up for the impact this has had on her.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Neither side has replied.

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.

I haven't changed my mind. I'll now make the award I originally proposed.

My final decision

My provisional decision is that I intend to tell TSB Bank plc to refund any interest and charges applied to Miss N's account after 24 May 2019, to backdate the default of this account to 27 September 2019, and to pay Miss N £100 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 29 October 2020.

Esther Absalom-Gough
Ombudsman