

Complaint

Mrs R has complained that TSB Bank Plc (“TSB”) acted irresponsibly in increasing her overdraft limit and also unfairly continued applying charges on her overdraft which caused her financial difficulty.

Background

One of our adjudicators looked at Mrs R’s complaint and thought TSB should have realised Mrs R wasn’t in a position to be able to repay any sort of overdraft and so shouldn’t have provided any further borrowing from June 2015. She said that it needed to refund all the interest, fees and charges it added to Mrs R’s overdraft from this point as result.

Despite being provided with a number of weeks to do so, TSB didn’t respond. So the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

TSB will be familiar with all the rules, regulations and good industry practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So I don’t consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I think TSB acted unfairly when it provided Mrs R with an overdraft. By this point, it was evident Mrs R was already struggling financially. A cursory look at Mrs R’s statements in the period leading up to her overdraft being provided shows that she was already struggling to manage her money. She was regularly and repeatedly overdrawn. And the credits going into the account indicated Mrs R would struggle to sustainably repay an overdraft and certainly not for an amount anywhere near the limit of £3,000.00 she was eventually provided with.

So I think that by June 2015 TSB shouldn’t have provided Mrs R with an overdraft on the terms it did and instead treated her with forbearance, rather than increasing Mrs R’s limit and adding even more interest, fees and charges on the overdraft.

All of this means that TSB should have realised that Mrs R was experiencing financial difficulty and offered her assistance. As TSB didn’t react to Mrs R’s account usage and instead continued increasing her overdraft, I think it failed to act fairly and reasonably.

Mrs R ended up paying additional interest, fees and charges at a time when he was already experiencing difficulty. So I’m satisfied that Mrs R lost out because of what TSB did wrong and that it should put things right.

Fair compensation – what TSB needs to do to put things right for Mrs R

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mrs R's complaint for TSB to put things right by:

- Reworking Mrs R's current overdraft balance so that all interest, fees and charges applied to it from June 2015 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made TSB should contact Mrs R to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mrs R's credit file, it should backdate this to June 2015.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mrs R along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then TSB should remove any adverse information from Mrs R's credit file.

† HM Revenue & Customs requires TSB to take off tax from this interest. TSB must give Mrs R a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained, I'm upholding Mrs R's complaint. TSB Bank Plc should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 30 September 2021.

Jeshen Narayanan
Ombudsman