

The complaint

Mr D is unhappy with the service he's received from Bank of Scotland plc ("BOS") surrounding the arrears that had accrued on his account.

What happened

Mr D opened a credit account with BOS in 2013. In 2021, Mr D's financial position was such that he was struggling to meet the contractual repayment required on the account. Mr D contacted BOS about this, and BOS agreed to place a 30-day hold on his account where Mr D wasn't required to make a payment and where interest wasn't charged. Following that 30-day hold, BOS agreed to a second 30-day hold on the account under the same terms.

Following the end of the second 30-day hold, Mr D spoke with BOS and discussed his financial situation with them. This included that Mr D has been out of work for three years and wasn't confident of returning to work in the near future, and that he currently didn't have any disposable income with which he could make the monthly payments required on the account. Consequently, BOS advised Mr D that they felt that they had no option other than to close and default the account, which would have the effect of stopping the accrual of any further interest on the account so that the outstanding balance wouldn't increase further.

BOS then began the process of defaulting the account and sent Mr D a series of letters to that effect, including a default notice. Mr D wasn't happy with how matters had progressed, including that his account had been defaulted, and felt that BOS should have given him more time to recover his financial position. So, he raised a complaint.

BOS looked at Mr D's complaint. But they felt that it was fair and reasonable for them to have defaulted the account and they explained to Mr D that they'd been obliged to send him the sequence of letters that they had during the default process.

Mr D wasn't satisfied with BOS's response, and he wasn't happy that BOS had subsequently sold his account to a debt purchasing company, so he referred his complaint to this service. One of our investigators looked at this complaint. But they also felt that BOS hadn't acted unfairly towards Mr D by defaulting the account when they had or by selling the debt to a third-party company. So, they didn't uphold Mr D's complaint.

Mr D remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

I can appreciate how, as a long standing and loyal customer of BOS, Mr D might have been disappointed that he didn't receive what he perceived as being a reasonable amount of financial support from BOS during the time that he was unable to meet the contractual payments required on his credit account.

However, BOS, like all credit providers, have certain obligations in regards to how they manage accounts where a customer is unable to make the minimum monthly payments required on that account.

For instance, where a customer has informed a credit provider that they're struggling financially such that they can't make the monthly payments, it would be expected that the credit provider would provide some form of short-term financial assistance.

BOS did that here, and I say this because BOS did provide Mr D with two 30-day holds on his account to give him 'breathing space' and to afford him the opportunity to recover his financial position.

Importantly though, it wouldn't be expected that a credit provider would provide such financial assistance indefinitely. One reason for this is because credit providers have an obligation to make accurate reports as to a customer's ability to manage or repay their credit account to the credit reference agencies, and such accurate reports can't be made if a credit provider is artificially maintaining the status of an account via ongoing financial support.

Furthermore, where a customer has explained to a credit provider that they're not in a position to be able to make the monthly payments required on an account, and where that customer has also explained that there is little chance that their financial position will improve in the near future, then it wouldn't be expected that the credit provider would allow that customer to continue to fall further and further into arrears, and therefore further into debt, on that account indefinitely.

Instead, it would be expected that the credit provider would move to default that account, which has the effect of stopping further interest accruing on the account so that the balance outstanding doesn't continue to increase during a time when the customer has confirmed they can't afford to make payments.

Having reviewed the circumstances of this complaint, I'm satisfied that this is what happened here. Mr D had told BOS that his financial position was such that he couldn't afford to make the monthly payments required on the account, and he'd also told BOS that he didn't foresee being able to resume making these payments in the near future.

As such, I feel that BOS were acting fairly towards Mr D by beginning the process of defaulting his account at that time. Indeed, given all that I've explained above, I'd likely have considered BOS to have acted irresponsibly had they not begun default proceedings on the account when they did.

I'm aware that Mr D feels that as a loyal customer, BOS should have provided him with additional financial support above and beyond that which they did. But I hope that I've been able to explain that BOS didn't have a free hand to provide such ongoing financial support in these circumstances, given the regulatory obligations that they have in regard to credit accounts, and also why I feel that BOS did act fairly and reasonably towards Mr D by following the default process that they did.

I'm also aware that Mr D was unhappy with the wording of some of the letters that he received from BOS during the default process. But again, much of the content of those letters is mandated by the financial regulations that surround this process. As such, while I can appreciate how Mr D was unhappy with the letters, I feel that BOS were communicating with Mr D in the manner that they were obliged to, and as such I don't feel that I can fairly or reasonably censure BOS for this.

Finally, Mr D has stated that he is unhappy that BOS have sold his account to a third-party

company. However, such sales of defaulted accounts aren't unusual, and are permitted by the terms and conditions of the account. Additionally, it's often the case that such third-part companies have greater scope for allowing the account holder to repay the balance over a longer period of time and therefore in smaller monthly amounts.

Ultimately, as I hope I've been able to explain, given the financial position that Mr D explained to BOS that he was experiencing, I feel that BOS had little practical choice other than to take any course of action that they did take here. And it follows from this that I'm satisfied that BOS didn't act unfairly or unreasonably towards Mr D by taking that course of action, and so I won't be upholding this complaint.

I realise that this might not be the outcome that Mr D was wanting, but I hope that he'll understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 26 May 2022.

Paul Cooper
Ombudsman