

Complaint

Miss F has complained that TSB Bank Plc (“TSB”) unfairly increased her overdraft limit and then added interest fees and charges to her balance which caused financial difficulty.

Background

One of our adjudicators looked at Miss F’s complaint and thought that TSB ought to have realised that Miss F’s overdraft had already become unsustainable for her by February 2018. So it needed to refund all the interest, fees and charges it added to Miss F’s overdraft from this point. TSB didn’t agree in full and as Miss F didn’t accept its alternative offer of settlement, 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 industry codes of 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 continued charging overdraft interest and associated fees from February 2018. By this point, it was evident Miss F’s overdraft had become demonstrably unsustainable for her. A cursory look at her statements leading up to this period shows that Miss F only ever saw a credit balance on her account for a few days at a time. And even then this was as a result of borrowing from payday lenders.

In reaching my conclusions, I’ve seen what TSB has said about only just increasing Miss F’s overdraft limit in January 2018. But, in my view this simply reinforces that TSB ought to have been aware of the issues that I’ve highlighted above. Equally, I don’t think that Miss F being provided by additional unsustainable credit elsewhere means that it was fair and reasonable for TSB to continue charging in the way that it did.

So I think that by February 2018 TSB should have stopped providing the overdraft on the same terms and treated Miss F with forbearance rather than adding even more interest, fees and charges on the overdraft. As TSB didn’t react to Miss F’s account usage, and instead simply continued charging in the same way, I think it failed to act fairly and reasonably towards her.

Miss F ended up paying additional interest, fees and charges at a time when her overdraft was already unsustainable. So I’m satisfied that Miss F 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 Miss F

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

- Reworking Miss F's current overdraft balance so that all interest, fees and charges applied to it from February 2018 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made TSB should contact Miss F to arrange a suitable repayment plan, Miss F is encouraged to get in contact with and cooperate with TSB to reach a suitable agreement for this. If it considers it appropriate to record negative information on Miss F's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in February 2018. TSB can also reduce Miss F's overdraft limit by the amount of any refund if it considers it appropriate to do so, as long as doing so wouldn't leave her over her limit.

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 Miss F 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 Miss F's credit file. TSB can also reduce Miss F's overdraft limit by the amount of refund if it considers it appropriate to do so.

† HM Revenue & Customs requires TSB to take off tax from this interest. TSB must give Miss F 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 Miss F'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 Miss F to accept or reject my decision before 21 March 2022.

Jeshen Narayanan
Ombudsman