

The complaint

Miss M is unhappy that Bank of Scotland plc (“BOS”) removed the overdraft attached to her account after a repayment plan ended.

What happened

In January 2020, Miss M contacted BOS to let it know she was struggling to pay the arranged overdraft charges being applied to her current account. This was due to a change in her financial circumstances. BOS removed the arranged overdraft and replaced it with a temporary overdraft. It also agreed to a three-month repayment plan with Miss M to help her repay the temporary overdraft balance. As part of the repayment plan, BOS stopped charging interest and fees to the account and reduced the overdraft each month by £10.

Miss M complained to BOS and said she was unaware her overdraft would reduce by £10 a month or that BOS was no longer deducting interest from her account. She said when she set up the repayment plan, she was suffering with mental health issues, but BOS didn’t check if she had the capacity to continue and understand what was happening. She said as a result of the stress caused when her overdraft was removed, she had to take medication. She said she wanted BOS to pay her more compensation and to remove any negative information it had reported to credit reference agencies.

BOS looked into Miss M’s complaint in May 2020 but didn’t uphold her complaint. It said the repayment plan had been set up correctly and because Miss M didn’t contact it when the repayment plan ended, it correctly removed the overdraft from her account. Unhappy with this response, Miss M referred her complaint to our service.

One of our adjudicators looked into the complaint but didn’t think BOS did anything wrong. She said payments were made into the account which regularly cleared the overdraft. And she said when Miss M contacted BOS to let it know her financial circumstances had changed, it placed a hold on the account and set up a repayment plan. So she said she thought BOS had acted fair and reasonably in response to Miss M making it aware her financial circumstances had changed.

Miss M disagreed and said she wasn’t unhappy with the charges BOS had applied whilst she used her overdraft. Instead she said she was unhappy that BOS removed her overdraft without prior notification. She said this put her into financial hardship as she was receiving a reduced income at the time.

Our adjudicator reviewed Miss M’s complaint again, but thought that BOS had told Miss M the temporary overdraft limit would gradually be reduced. She said BOS told Miss M if she didn’t get in touch with it at the end of the repayment plan, the temporary overdraft would be removed. She said because Miss M didn’t do this, she didn’t think BOS did anything wrong when it removed the temporary overdraft facility.

Miss M disagreed and said that BOS should have been aware she was vulnerable at the time it set up the repayment plan. She said the removal of the overdraft left her in financial difficulties.

As Miss M remains in disagreement, 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.

Miss M has said she isn't complaining about the overdraft charges applied to her account by BOS prior to the facility being removed. So I haven't considered these charges in this decision. That said, I've looked at whether I think BOS acted fair and reasonably when it removed Miss M's temporary overdraft. Having done so, I think it did. I'll explain why.

Miss M has said she wasn't aware the temporary overdraft would be removed if she didn't contact BOS at the end of the repayment plan and this action left her in financial difficulties. However, BOS was entitled to remove the overdraft at any point as it was repayable on demand. And I can see that BOS did tell Miss M about the temporary overdraft being gradually reduced during a call in January 2020. As it was only ever a temporary facility, there was no intention for it to stay in place long term. BOS also told Miss M it would remove the temporary overdraft if it didn't hear from her after the repayment plan had ended. Miss M agreed to these terms. BOS also sent a letter to confirm the terms of the repayment plan to Miss M following the call. And because Miss M didn't contact it at the end of the repayment plan, the overdraft was removed. So I'm satisfied BOS told Miss M that it would remove the overdraft when it did and in line with when it was required to.

I appreciate Miss M is unhappy with this and has said she was vulnerable at the time the repayment plan was agreed. I've looked at the notes from the call. There isn't anything in the notes which suggest that Miss M had mental health issues or that she was vulnerable at the time the repayment plan was set. I also don't think there was anything which ought reasonably to have alerted BOS to these matters either. So I don't think BOS acted unfairly when it removed the temporary overdraft.

I've also thought about whether BOS ought to reasonably have been aware that removing the temporary overdraft would put Miss M into financial difficulty.

Miss M told BOS in January 2020 she would be going back to work in April 2020 and she'd be able to maintain payments from then. She also told BOS whilst she wasn't working, a relative would maintain repayments on the account. On this basis, I don't think BOS had any reason to suspect the removal of the temporary overdraft would leave Miss M in financial difficulty.

In addition, while I would have expected BOS to continue monitoring Miss M's account bearing in mind what she said in January 2020, I've looked at Miss M's statements. I can see that whilst the repayment plan was in place, Miss M's account activity from April 2020 onwards doesn't indicate that she was experiencing ongoing financial difficulty. The statements show Miss M's account in credit, bar a couple of occasions. And on the couple of occasions she did make use of her overdraft, she transferred in funds from another account she held on the same day, so her account fell back into credit. Since the overdraft has been removed, Miss M has maintained a credit balance and is receiving regular payments into the account.

I also note that when Miss M complained about the temporary overdraft being removed, BOS offered her some options so she would still have access to cash, despite the temporary overdraft being removed. It also applied a 30-day breathing space. I think it was reasonable for it to do this given Miss M had told it she was in financial difficulty.

Overall, because BOS didn't hear from Miss M and as it had been told Miss M would be starting work from April 2020, I think it was fair for it to remove the overdraft when it did, as it had no reason to suspect Miss M was still in financial difficulties. And as I've explained before, this was never intended to be anything more than a temporary arrangement at the outset. So I'm not upholding Miss M's complaint.

My final decision

I don't uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 21 April 2022.

Sonia Ahmed
Ombudsman