

The complaint

Mrs L complains that TSB Bank plc removed a promotional interest rate on her credit card account and applied a late payment fee.

What happened

Mrs L had a direct debit in place to pay a fixed sum per month to her credit card account with TSB. Her June 2021 credit card statement said the payment would be claimed from her bank account on 28 June 2021.

On 16 June Mrs L called TSB to amend the fixed payment amount to the minimum payment required as she had been impacted financially due to the pandemic. TSB made the amendment to the direct debit. But as June's direct debit payment was already in the system, TSB told Mrs L to contact her bank to recall the payment due on 28 June and make a manual payment for the minimum amount. Mrs L did this. And her next statement includes the payment she made manually.

However, the direct debit due on 26 July 2021 wasn't claimed by TSB. This resulted in Mrs L incurring a late payment fee and her promotional interest rate being removed. So, she complained to TSB.

TSB looked into Mrs L's complaint. But it didn't think it had done anything wrong. It said that it had received notification from Mrs L's bank that the direct debit had been cancelled by Mrs L.

Unhappy with the response Mrs L referred her complaint to this service. One of investigators looked into it but she didn't think TSB had treated Mrs L unfairly. She noted that the terms of a promotional interest rate make provision for the rate to be withdrawn when a payment is missed.

Mrs L didn't accept this outcome, so the complaint has been passed to me and I issued a provisional decision.

What I said in my provisional decision dated 30 September 2022

Having listened to the call recording from 16 June 2021, I'm satisfied Mrs L made TSB aware that her intention was simply to make an adjustment to her direct debit – so the minimum payment was collected, not to cancel it.

During the discussion, I note that TSB – due to the timings of her call and the date the direct debit was due, told Mrs L to contact her bank and ask it to 'recall' the direct debit and make a manual payment to cover the minimum payment due.

I also note that at the end of the call Mrs L asked for confirmation that her minimum monthly payments would be collected by direct debit thereafter. TSB confirmed this. So, I'm persuaded that Mrs L would have ended the call with the understanding that she had to make one manual payment and the following payments would continue via direct debit.

Mrs L followed TSB's instructions. She made a manual payment and contacted her bank. I don't know exactly what was said when Mrs L contacted her bank. I accept it's possible Mrs L may not have understood what TSB had asked her to do, or she may not have made it clear to her bank that it was only June's direct debit payment she wanted recalled or her bank misunderstood her instructions. But given all the above, I have no doubt it wasn't Mrs L intention to miss her credit card payment. And this is further supported by the fact that when the problem came to light, she made the payment due.

My role here is to decide if TSB has treated Mrs L fairly – given all the circumstances. And taking all the above into consideration, I'm not persuaded that it did. I find the fair and reasonable action would have been for TSB – when considering Mrs L 's complaint, to have: recognised this matter had arisen from an unfortunate set of circumstances; considered Mrs L's intentions: recognised that Mrs L made a payment when the problem came to light; and, in these specific circumstances, agreed to retain the promotional interest rate on her account. I note the late payment fee has already been refunded and I think this is fair.

Mrs L has told us that the reason she wanted to reduce her payment to the minimum amount was because she had been impacted financially due to the pandemic and ill health. So, I'm persuaded that removing the promotional rate would have had a substantial impact on her. I say this because Mrs L's statements show that the minimum payment required increased significantly after the promotional rate was removed. So, I find a compensation payment is due for the distress and inconvenience this matter caused Mrs L.

And I said I had provisionally decided – subject to further comments, that TSB should put Mrs L's account back in the position it would have been in had the promotional rate not been removed. This includes:

- o Re-applying the promotional interest rate for the remainder of the promotional term if the term hasn't already ended.*
- o Refunding the interest Mrs L has paid each month, which she wouldn't have paid had the promotion remained in place, plus simple interest at 8%* a year on each amount from the date it was paid until the date it is refunded.*
- o Arranging for any late payment markers recorded on Mrs L's credit file as a result of this situation to be removed.*

In addition, TSB should pay Mrs L £100 to recognise the distress and inconvenience this matter has caused.

Responses to my provisional decision

TSB didn't accept my provisional decision. In summary, it said that whatever had happened with Mrs L's direct debit, she had a responsibility to make a monthly payment, and this didn't happen. So, it didn't see any clear reason why it shouldn't rely on the terms and conditions of the promotional interest rate.

Mrs L didn't accept my provisional decisions in its entirety. While she acknowledged it went some way to put things right, she didn't think it went far enough. She said that the late payment marker TSB applied to her credit file has stopped her refinancing her TSB credit card balance and applying for other promotional interest rates for her other credit card borrowing. So, as a result, she has lost out financially.

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'm aware that I've only summarised Mrs L's and TSB's responses to my provisional decision. And I'm not going to respond to every single point made by them. No discourtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Having considered everything again, including the most recent comments, I've reached the same overall conclusion as set out in my provisional decision. I'll explain why.

Mrs L has said the late payment marker on her credit file has had an adverse impact on her. And I acknowledge that a late payment marker does have impact on a person's credit file score. But I'm not persuaded that one late payment marker - on its own, would impact Mrs L to the extent she says it has.

Even if Mrs L had an unblemished credit file report – apart from this one incident, there are so many other factors that lenders take into consideration – for example, income (and Mrs L has already told us her income was impacted by the pandemic), expenditure, overall indebtedness, repayment histories and their own lending criteria and appetite to risk. So, even if Mrs L has had lending declined (preventing her from benefitting from lower rates of interest), I'm not persuaded that I could safely say the sole reason for this was the late payment marker TSB recorded on her credit file. So, I'm not persuaded that TSB is required to compensate Mrs L for not being able to refinance her borrowing.

Mrs L has also said the £100 compensation which I considered to be fair wasn't enough. I'll refer to this further down in my decision.

Turning to TSB's points. I acknowledge that the terms of a promotional interest rate say it can be withdrawn when a payment is missed. And that TSB had no reason to ignore Mrs L's bank's cancellation request. But in my provisional decision I explained that while I've taken the terms into account, my role is to decide if TSB has treated Mrs L fairly given *all* the circumstances surrounding what happened.

And, in this case, I'm not persuaded Mrs L intended to miss her monthly payment. As mentioned in my provisional decision, I find the fair and reasonable action would have been for TSB – when considering Mrs L 's complaint, to have: recognised this matter had arisen from an unfortunate set of circumstances; considered Mrs L's intentions; recognise that Mrs L made a payment when the problem came to light; and, in these specific circumstances, agreed to retain the promotional interest rate on her account. And as it did not do so, I find TSB hasn't treated Mrs L fairly.

TSB has said Mrs L didn't need to wait until she received her credit card statement to find out there was a problem. It says she could have checked her bank statement and acted sooner. But, as I said in the provisional decision, at the end of call between Mrs L and TSB, Mrs L asks for confirmation that – after making a manual payment for one month, her minimum monthly payments would then be collected by direct debit. And TSB confirmed that they would. As Mrs L ended the call with the expectation that her subsequent payments would continue via direct debit, I'm not persuaded she had any reason to check her bank statements in this respect.

TSB has suggested I obtain the call recording between Mrs L and her bank to determine what she instructed it to do. But I don't think that's required here. Notwithstanding what was said during that call, I'm persuaded – given Mrs L's testimony and the action she took to make the missed payment as soon as it came to light, that her intention wasn't to miss her monthly payment. And as mentioned above, I find that TSB should have taken that into account when Mrs L first contacted it about the missed payment.

TSB has said that it doesn't seem equitable for Mrs L to have her promotional interest rate reinstated when other customers who miss a payment would have theirs removed. And I accept there are circumstances where it is appropriate for a promotional interest rate to be withdrawn. But I've looked at this case on its own individual merits and, in this case (as mentioned above), I think TSB – when Mrs L raised her concerns, should have reinstated the promotional rate on her account. And it should now rework Mrs L's account to put her back in the position she would have been in had the promotional rate been reinstated.

Both parties have commented on my suggested award of £100 compensation. Mrs L thinks it's not enough, while TSB says compensation isn't due as there wasn't a bank error.

I acknowledge that TSB didn't initially make a mistake here. The terms and conditions say that a promotional rate can be removed when a payment is missed. So, when Mrs L missed a payment, the promotional rate was most likely removed automatically. But it's at the point Mrs L contacted TSB about the situation where I'm satisfied TSB didn't treat Mrs L fairly. And because of this I'm satisfied compensation is due in addition to the other redress I've mentioned.

Mrs L doesn't think £100 fully reflects the impact of TSB not reinstating her promotional rate had on her. But as mentioned above, I can't safely say that the late payment marker was the sole reason Mrs L was unable to refinance her borrowing. However, because of the promotional interest not being reinstated, Mrs L has had to pay more each month than she needed to. And given Mrs L has said she was moving to minimum payments as her finances had been impacted by the pandemic, I'm satisfied Mrs L was impacted to extent that a compensation payment is due. But from what I seen Mrs L has been able to meet the monthly payment despite the interest rate charged. So, given these circumstances, I'm satisfied that a compensation payment of £100 is fair.

TSB has also said that Mrs L hasn't been deprived of her money so the 8% interest payment I recommended isn't due. But Mrs L's minimum payment was percentage of her outstanding balance plus interest. And as her promotional rate was withdrawn, she has paid more interest than she would have had the promotional rate been reinstated. Had she not paid the extra interest, that extra money would have been available for her to use - for example, pay down the other debts she has mentioned. So, I remain of the opinion she was deprived of that money and therefore compensatory interest is appropriate.

Putting things right

TSB Bank plc should now put Mrs L's account back in the position it would have been in had the promotional rate been re-instated. This includes:

- Re-working the account for the period the promotional interest rate would have run for had it been reinstated.
- Refunding the interest Mrs L has paid each month, which she wouldn't have paid had the promotional rate remained in place, plus simple interest at 8%* a year on each amount from the date it was paid until the date it is refunded.

- Arranging for the late payment marker recorded on Mrs L's credit file as a result of this situation to be removed.
- paying Mrs L £100 to recognise the distress and inconvenience this matter has caused.

My final decision

For the reasons I've given above and in my provisional decision, I uphold Mrs L's complaint.

TSB Bank plc should now settle the matter as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 16 November 2022.

Sandra Greene
Ombudsman