

## The complaint

Mr Q complains that TSB Bank plc did not treat him fairly when he was repaying an overdraft.

## What happened

Mr Q says he decided to switch his current account to a different bank in October 2021. He says that the new bank would not transfer his overdraft so he agreed a payment arrangement with TSB to repay it. Mr Q says his May 2022 payment was late due to a family emergency, but when he received a letter telling him he needed to make the payment within ten days he did so. He says he then made the June 2022 on time but was told his account had been closed and moved to a debt collection agency when he attempted to make the July 2022 payment. Mr Q adds that he'd received letters demanding full repayment in May and June 2022 but he ignored them as he thought he had a repayment plan in place. Mr Q says there is now a default on his credit file which will affect his ability to get credit.

TSB says Mr Q did not adhere to the payment plan he had in place and he was sent a letter on 13 May 2022 to confirm the plan had been broken. It says that as it did not hear from Mr Q an enforcement notice was sent on 21 May 2022, followed by a formal demand on 14 June 2022. TSB says that, as part of that process, Mr Q was told his account would be defaulted and may be referred to an external agency.

Our investigator did not recommend the complaint should be upheld. He found that the payment plan was broken when Mr Q made May's payment late and so he considered TSB's actions were reasonable when it moved his account to recoveries.

Mr Q responded to say, in summary, that he made May's payment within the ten days he was given and so cannot understand how he breached the payment arrangement.

## My provisional findings

I issued a provisional decision to Mr Q and to TSB on 23 January 2023. I've summarised my findings below:

- I could see Mr Q agreed a repayment plan for his overdraft in March 2022, but that he had failed to make May's payment;
- TSB sent Mr Q a letter on 13 May 2022 which said "*If the repayment programme is not brought up to date by paying £350.00 within the next 10 days it may involve additional charges and the issue of a Default Notice, demanding that you repay the full balance immediately.*"

- Mr Q made the payment on 18 May 2022, and I found it reasonable that Mr Q believed he had brought the repayment plan up to date based upon the wording of the letter;
- TSB said the repayment plan was broken at that point and the letter required Mr Q to call immediately to set up a new plan, but I didn't consider that was made clear to Mr Q in the letter;
- As Mr Q made April's and June's payments on time and he says he called TSB to make July's payment before he discovered the account was closed, I was satisfied Mr Q fully intended to adhere to the repayment plan;

Based on all the evidence I saw I didn't consider TSB acted fairly by closing Mr Q's account, moving it to a debt collection agency and recording a default on his credit file. So, my provisional decision was that I upheld Mr Q's complaint and TSB should put things right.

TSB responded to say, in summary, that when Mr Q was late with his payment, the resulting letter gave him two instructions – to make a payment and to call to discuss a new plan. It said it then sent him further letters and asked him to call on four occasions. TSB said it thought it was clear from all the letters it sent that Mr Q was not in a plan otherwise it would not have been asking for the full balance or advising him he was in arrears. TSB forwarded the relevant letters.

### **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 have reviewed the letters that TSB sent in its response, and I am satisfied that they are duplicates of those it has already sent to this service. I cannot agree that there was a clear instruction for Mr Q to call within the letter about the missed payment as it says "*To discuss the remaining arrears on your account, set a new repayment programme, or if your financial circumstances have changed you should contact us on the above telephone number immediately.*" As Mr Q paid within the ten days stipulated, it was not unreasonable for him to believe that none of the three criteria listed for discussion applied to him.

Similarly, the follow-up letters demanding payment in full were sent within days of his May and June payments and the outstanding amounts quoted were in line with the agreement he'd made with the repayment plan. As such, the letters asked Mr Q to call if he was unable to pay the full balance, but as he did not think that applied to him, I don't consider it's unreasonable that he didn't call. I acknowledge TSB said it would not have been sending such letters if Mr Q was still in a repayment plan, but I don't find that was made clear to Mr Q. Indeed, I can't see that Mr Q was explicitly told he was no longer in a repayment plan until he was unable to make July's payment.

In summary, as I've received no new information from either Mr Q or from TSB, I see no reason to depart from my provisional decision.

## **My final decision**

My decision is that I uphold this complaint. TSB Bank plc should:

- Take back ownership of Mr Q's account;
- Ensure no charges have been added as a result of the account being moved to recoveries;
- Agree a mutually acceptable repayment plan for the outstanding balance;
- Remove the default from Mr Q's credit file and any other adverse information that may have been recorded as a result of the account being moved to recoveries;
- Pay Mr Q £100 for the upset and inconvenience this has caused to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Q to accept or reject my decision before 23 March 2023.

Amanda Williams  
**Ombudsman**