

The complaint

Mr B complains that TSB Bank plc (TSB) closed his accounts.

What happened

Mr B had a current account and savings account with TSB. In 2021, they'd found that his post was being returned. There was an overdraft limit of £1,750. TSB wanted to verify Mr B's identity and address (IDV) and tried calling him, without success. On 12 November 2021, TSB wrote a letter to Mr B to give notice that they were going to close his accounts on 12 January 2022. The letter wasn't sent – as TSB didn't have Mr B's up to date address on file. Mr B gave TSB correct IDV documents on 8 December 2021.

On 14 January 2022, Mr B's current account and savings account were closed. The current account balance was £1,739.09. The overdraft limit was cancelled and demand for repayment of the overdraft was made on 23 February 2022. The debt was passed to a debt collection agency (DCA) to manage. The balance was then £1,835.11. A default was registered on Mr B's credit file. Mr B agreed regular monthly payments of £35.29 – which have been made since then - up to September 2022 (when Mr B's complaint came to us). The balance was then £1,392.00 debit.

Mr B complained. He said he hadn't been contacted by TSB about the closure – he had no idea it was going to happen. He said the closure of his accounts and the default weren't fair. He needed an account to receive his weekly wages into. He had been a customer of TSB for many years and he didn't think that was a fair way to treat him.

TSB said they'd written a letter to Mr B on 12 November 2021 – giving two months' notice of closure. The letter wasn't sent as they didn't have a current address for Mr B. Before that, they said they'd tried several times to contact Mr B to verify his address and ID but couldn't get hold of him. They therefore went ahead and closed his accounts and passed his debt to their recoveries department. Demand was made and the debt passed to a DCA in March 2022. In their final response, TSB said Mr B had provided the correct IDV documents on 8 December 2021. They didn't uphold Mr B's complaint.

Mr B brought his complaint to us. Our investigator said TSB hadn't acted reasonably. He said because Mr B had provided the necessary IDV documents on 8 December 2021 – within the notice period that TSB had given to close his accounts – TSB should've stopped the account closure. If they had, then TSB wouldn't have closed Mr B's accounts, nor made demand for repayment. It also followed that Mr B's debt wouldn't have been defaulted. Our investigator said the default should be removed and compensation of £350 paid to Mr B. Any interest and charges applied because of the closure should also be refunded.

TSB didn't agree. They said Mr B's accounts had been closed by a central unit. They'd tried to contact him in calls dated 11 October 2021, 19 October 2021; and sent letters on 11 October 2021 and 26 October 2021. TSB said as the account closure process had commenced before Mr B provided his IDV documents, it went ahead.

Because TSB didn't agree, Mr B's complaint has come to me.

I reached a provisional decision which said:

TSB did try to contact Mr B and have told us they tried to call him twice and wrote to him twice – in October 2021. But they couldn't get hold of him and went ahead with the process to close his accounts. This would be in line with their procedures where a customer's IDV couldn't be verified.

So – they sent Mr B a letter dated 12 November 2021 which gave him two months' notice to close his accounts. The letter said *"We're writing to let you know that after a review of your account, we can no longer run a bank account for you. We will be closing your account on 12th January 2022. Please make alternative banking arrangements immediately."*

But – the letter wasn't received by Mr B – as it wasn't sent because TSB didn't have his address. I can see how that happened – we can't reasonably expect TSB to send a letter in those circumstances.

But it is what happened next where I think that, in the circumstances of this complaint, TSB didn't act reasonably. On 8 December 2021 – Mr B did provide the correct IDV documents to TSB. That was five weeks before his accounts were due to close under the notice of closure. So I think it's reasonable to say that TSB should have then reviewed Mr B's IDV and accounts and stopped the closure. I couldn't see any other reason why would've closed his account - such as returned cheques, or overlimit positions – he ran his account within his overdraft limit; and the account received a regular weekly salary into it.

If TSB had stopped the closure, they would not then have made demand for the repayment of the debt, nor defaulted the account and passed it to a debt collection agency. So those were all direct consequences of what had happened – and it's therefore reasonable to say that those actions should be undone and Mr B put back in the position he was in. The default should be removed from his credit file, the debt taken back from the DCA and a mutually agreeable repayment programme put in place. I couldn't see that any additional interest and charges were applied to Mr B's account because of the default - but ask TSB to check if that was the case.

I suspect Mr B doesn't have another bank account and probably needs one to pay his salary into – I don't have that information. I can't insist that TSB reopen Mr B's current account (I heard him say on calls that he doesn't want a savings account). Mr B's situation may have changed such that he doesn't qualify for a TSB account anymore. But I would ask TSB to contact Mr B and reopen the account if he qualifies – indeed, if Mr B wants or needs an account with TSB. He may, by now, have found another bank.

Mr B didn't have an account to pay his weekly salary into, nor was he able to draw money out of his account – after it was cancelled and blocked on 13 January 2022. This must have been very stressful for him. I listened to the calls he made to TSB on 13 January 2022 and 1 February 2022. Mr B wanted access to his money and to be fair to TSB, they made arrangements for him to withdraw money that week.

But – Mr B was also calling to find out what had happened and why his account had been blocked (bearing in mind he hadn't had the letter dated 12 November 2021). But – TSB's call handlers didn't clearly explain his account had been closed, and why – so he was left in the dark. I think it would've been reasonable to expect TSB to clearly explain that on the calls. On the call on 13 January 2022 – there was also an unclear discussion during which TSB asked Mr B to verify his ID and address again – it's not clear why that was needed – as he had done that on 8 December 2021. So – in summary, the calls weren't handled well.

So – I agree TSB should also pay compensation of £350 for what happened.

Responses to the provisional decision:

No comments were made by either TSB or Mr B.

I now need to make 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.

As neither TSB or Mr B made any comments, my final decision is in line with the provisional decision.

My final decision

I uphold this complaint. TSB Bank plc must:

- Remove the default from Mr B's credit file.
- Take back the debt from the DCA and agree a mutually satisfactory repayment programme with Mr B.
- Pay compensation for distress and inconvenience of £350.
- Look positively at re-opening Mr B's current account, providing he qualifies for one – if Mr B wishes to do that.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 25 April 2023.

Martin Lord
Ombudsman