

The complaint

Mr H is unhappy that Bank of Scotland plc didn't make it clear to him that his current account was overdrawn, and this impacted his credit file. He's also unhappy that it was fees and charges associated with a transaction made abroad which took the account overdrawn, and these costs weren't highlighted to him.

In addition, Mr H is unhappy that he incurred international call costs in trying to sort things out and this matter has taken up a lot of time for him.

What happened

Mr H was living abroad at the time in question, but was using his Bank of Scotland account for some of his banking needs.

On 23 March 2022 Mr H used the account to purchase some tickets abroad. The transaction was for £1,689.39 which was verified with Bank of Scotland's fraud team. The associated costs with the transaction were a 2.99% foreign currency transaction fee based on the transaction amount (£50.51), and a foreign currency purchase fee of £0.50. These costs took Mr H's account overdrawn by £41.72 into an unarranged overdraft.

The account returned to credit on 9 May 2022 following a faster payment that was made into the account.

Mr H says he became aware that the account was overdrawn after he checked his credit file in June 2022. He also says he'd not been made aware of the costs associated with the transaction as he didn't regularly use that account. He made several calls (from abroad) to Bank of Scotland on 17 June 2022 about the matter which took up a lot of his time, and included having to repeat himself when calls kept dropping.

Mr H complained to Bank of Scotland who concluded they'd not done anything wrong in terms of applying the costs associated with the transaction, or how the account was being reported to the credit reference agencies (CRAs). Bank of Scotland also said a SMS alert had been sent to Mr H on 24 March 2022 letting him know the account had gone overdrawn. They also said Mr H could access his account statements through the banking app and through telephone banking, and that Mr H had a responsibility to monitor his account. So Bank of Scotland didn't uphold Mr H's complaint in this regard.

However, Bank of Scotland did offer Mr H £180 to cover the cost of calling them from abroad, and £50 for the distress and inconvenience caused by the service he'd received from them in relation to these calls.

Our Investigator thought the offer put forward by Bank of Scotland was fair in the circumstances, and they felt Bank of Scotland had been reasonable in trying to notify Mr H that his account had gone overdrawn.

Mr H didn't agree. He maintained that Bank of Scotland had not adequately notified him that his account had entered into an overdraft and he said Bank of Scotland was wrongly

reporting the account to the CRAs. This was because he said the overdraft was being reported as *missed payments*, and this was misleading.

Our Investigator further explained to Mr H it was generally accepted that customers have a responsibility to check the status of their accounts, and they said that Bank of Scotland had an obligation to inform CRAs about the status of an account.

As a resolution could not be reached, the complaint came to me to decide. And after an initial review of the case, Mr H was approached for some further information.

Mr H was asked to provide a copy of his credit file, as well as evidence of the call costs that he'd incurred. In addition, Mr H was asked to comment on some of the information below contained in his current account statements.

Firstly, Mr H was asked about payments to and from his 'holiday' account to the account in question. £100 was paid from the holiday account into the current account on 7 February 2022; a payment for £1,700 was then received into the current account (from someone else) on 21 March 2022; and a further £300 was paid from the holiday account into the current account on 21 March 2022. However, on the same day (21 March 2022) £400 was then removed from the current account as a faster payment back into the holiday account.

It was noted that the removal of the £400 on 21 March 2022 left Mr H's current account with a balance of £1,698.68 effectively meaning the £1,700 was being used to cover the cost of the tickets, therefore suggesting more likely than not these were a planned purchase. It was also noted that there appeared to be a variable foreign exchange rate applicable to the transaction, so that even setting aside the associated transaction costs it was still possible that the £1,700 may not have been enough to cover the ticket costs.

Secondly, Mr H was also asked to comment on the fact that his statements showed several previous international transactions which had all incurred the same associated costs.

In view of these observations it was suggested to Mr H that factoring in the need to accommodate the exchange rate, given the small margin between the ticket costs and the available balance, it would have been reasonable to check this particular transaction on his statements. Not least because the transaction had also initially been stopped for fraud checks.

Mr H was asked to comment on all of the above. However, he did not respond to the request for further comments, and it was explained to Mr H that if there was no reply, a decision would be reached based on the available evidence and submissions.

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.

Mr H has said Bank of Scotland should have told him his account had entered into an unarranged overdraft.

Bank of Scotland have provided a copy of a guide booklet available to their customers. This says that unarranged overdraft alerts will be sent out if Bank of Scotland have a mobile number for the customer. So an alert would be sent out when the customer is about to use or has started to use an unarranged overdraft.

The guide further explains that customers can stop and start this service at any time. And that a customer can check Bank of Scotland hold a valid mobile number for them, or set one up by using Internet Banking, going into branch, or calling Bank of Scotland. The guide also explains more information is available about alerts on Bank of Scotland's website and that if going abroad, the customer may still receive alerts but they should check for any charges with their mobile provider.

From the available submissions, it seems more likely than not that Mr H was enrolled in Bank of Scotland's service to receive alerts to his phone should he be about to use or start using an unarranged overdraft. And Bank of Scotland say that on 21 March 2022 Mr H was informed he could change his number using telephone banking and a security number.

The transaction in question went through on 23 March 2022, and Bank of Scotland's submissions are that the SMS alert was sent to Mr H on 24 March 2022 and it said, *You're using an unarranged overdraft. If you can, please pay cleared funds in by 2:30pm to keep making payments.* Bank of Scotland's submissions are limited, so it's not clear what number was used, or whether it was successfully delivered. But I think in the circumstances, given the available information, it's fair to say it seems more likely than not that an alert was sent in relation to Mr H's account.

Bank of Scotland's submissions are that they checked with their telephone and internet banking services during the course of the investigation to see if Mr H had contacted them to change his phone number, but they were unable to find any record of such a request. So it doesn't appear that Mr H attempted to change his phone number with them.

Unfortunately the phone calls from 21 March 2022 haven't been made available, and Bank of Scotland have not provided any account notes from March 2022, so it's difficult for me to know what was said between Mr H and Bank of Scotland when the discussion around his phone number took place. But I would note that customers also have a responsibility to keep their contact details up to date with their bank, and I've not seen enough to make me think Bank of Scotland have acted unfairly towards Mr H in terms of sending the SMS alert to the last number Mr H confirmed to them.

I'm mindful that as well as having a responsibility to ensure their contact details are up to date, customers also have a responsibility to ensure they are managing their accounts responsibly.

There are two different types of overdrafts. These are referred to as 'authorised' and 'unauthorised' overdrafts. An authorised overdraft is something agreed by the banking provider for the customer to use as a form of borrowing – so it is not automatically applied to all accounts. Where a customer doesn't have enough money in their account, and does not have an authorised overdraft, the bank may allow a payment or transaction to still go through by using an unauthorised overdraft. However, an unauthorised overdraft can impact an individual's credit file.

Mr H did not have an authorised overdraft, so when the cost of the tickets exceeded the available balance in his account, I think Bank of Scotland acted reasonably by allowing the transaction to still go through – although it then meant Mr H was using an unauthorised overdraft.

As noted earlier, Mr H had a responsibility to check how he was managing his account. I've not seen anything to suggest Mr H was unable to access his statements to do this. He could access them online, through the banking app or he could have called Bank of Scotland's telephone banking service.

I also think, in the circumstances, this particular transaction would have been of more interest to Mr H to ensure it had gone through. This is because the tickets were for a one-off event (so this was a planned purchase), the transaction had undergone fraud verification checks, and the available balance in the account allowed a small margin for error to purchase the tickets (given it needed to factor in an exchange rate and the associated costs for making purchases abroad in a foreign currency - which are set out in Bank of Scotland's terms and conditions online).

I think Mr H was more likely than not aware of the balance in the account given the transactions leading up to the ticket purchase, and I think he would've more likely than not known such a transaction would be subject to interest exchange rates and costs (because of his previous usage of the account).

So it seems reasonable to say there was nothing preventing Mr H from being able to see his account for himself, and given the transaction Mr H was making I think this would've more likely than not been the time that he would do so.

As part of his complaint Mr H has said the account was not being reported correctly on his credit file as he said it was showing as 'missed payments' which he says is misleading to prospective lenders. As Mr H did not provide a copy of his credit file when asked, I've not been able to see exactly what was being reported – although within the submissions available to me, Bank of Scotland and Mr H have both referred to 'missed payments'.

Bank of Scotland have an obligation to provide accurate and up to date information to CRAs about the status of accounts they hold for their customers. And as Mr H was using an unauthorised overdraft, I think it would be reasonable for this to be reported on Mr H's credit file – particularly if he didn't quickly clear it. So overall, I'm unable to say Bank of Scotland are doing anything wrong by reporting the use of the unauthorised overdraft.

It may help to explain that an unauthorised overdraft will appear on a credit report as a debt to be repaid, and so I don't think Bank of Scotland would be unreasonable or unfair by reporting the account as having had missed payments. And I've not seen any evidence, as mentioned by Mr H, that a default was recorded in relation to this matter. In the circumstances, I would consider a default to have been unlikely given the account was, at most, likely to have only shown use of an unauthorised overdraft for two months.

Bank of Scotland offered to pay Mr H £230 in total for the cost and customer service he experienced when calling Bank of Scotland in June 2022. I understand Mr H did not accept this offer as it did not involve correcting his credit file. I've not seen any record of how much the calls in question did cost Mr H, however, having reviewed a range of potential cost of calls for the call times Bank of Scotland have noted – using mobile services – between the country Mr H was residing in at the time and the UK, I think the offer of £180 to cover these is not unreasonable in the circumstances. And it also doesn't appear Mr H has disputed this part of Bank of Scotland's offer. I also think the £50 for the customer service relating to the calls on 17 June 2022 doesn't seem unreasonable either, based on the available submissions.

Putting things right

To settle this matter Bank of Scotland plc should pay their offer of £230 to Mr H. If Bank of Scotland plc have already made any payment of this offer to Mr H, this should be deducted from the £230.

My final decision

For the reasons above, my final decision is that I think Bank of Scotland's offer to recognise the experience Mr H had with the calls associated with this matter is fair in the circumstances.

I think Bank of Scotland acted reasonably by applying the associated costs for the transaction abroad and reporting the account to the CRAs. I also think that in the circumstances it was reasonable for Bank of Scotland to send the SMS alert to the number they had available.

Bank of Scotland plc should put things right as I've described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 6 July 2023.

Kristina Mathews
Ombudsman