

Complaint

Miss P has complained that TSB Bank Plc (“TSB”) irresponsibly provided her with an overdraft which it increased the limit on and then added interest fees and charges to her balance which caused financial difficulty.

Background

One of our adjudicators looked at Miss P’s complaint and thought that TSB ought to have realised that Miss P’s overdraft had already become unsustainable for her by January 2021. So it needed to refund all the interest, fees and charges it added to Miss P’s overdraft from this point.

After being told the case was being passed to an ombudsman, TSB said it didn’t think it had done anything wrong but nonetheless was prepared to refund the fees in question. However, it wasn’t prepared to add interest as Miss P’s account wasn’t in credit until it paid a refund to her.

As what TSB proposed to do wasn’t in accordance with what the adjudicator recommended, the case was passed to me for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

As TSB still maintains it didn’t do anything wrong in relation to Miss P’s overdraft, I’ve started by looking at whether or not it did.

TSB will be familiar with all the rules, regulations and industry codes of practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So I don’t consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I think TSB acted unfairly when it continued charging overdraft interest and associated fees from January 2021. By this point, it was evident Miss P’s overdraft had become demonstrably unsustainable for her. A cursory look at her statements leading up to this period shows that Miss P was hardcore borrowing and also had a loan with at least one high cost lender.

In reaching my conclusions, I’ve seen what TSB has said about Miss P being paid weekly distorting the overall picture and that she would have seen a credit balance had she been paid monthly. This may or may not have been the case. But the fact remains that Miss P was continually overdrawn and did regularly go over her limit. And, in my view, this doesn’t alter the fact that TSB ought to have been aware of the issues I’ve highlighted above.

So I think that by January 2021 TSB should have stopped providing the overdraft on the same terms and treated Miss P with forbearance rather than adding even more interest, fees and charges on the overdraft. As TSB didn’t react to Miss P’s account usage, and instead

simply continued charging in the same way, I think it failed to act fairly and reasonably towards her.

Miss P ended up paying additional interest, fees and charges at a time when her overdraft was already unsustainable. So I'm satisfied that Miss P lost out because of what TSB did wrong and that it should put things right.

Miss P's account may only have permanently gone into credit once TSB paid her refund into her account in May 2023. But this doesn't change the fact that Miss P might not have been overdrawn had the charges TSB shouldn't have added not been added in the first place. I

n these circumstances, I think that it would be fair and reasonable for TSB to put things right for Miss P in the way that I direct below.

Fair compensation – what TSB needs to do to put things right for Miss P

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Miss P's complaint for TSB to put things right by:

- Reworking Miss P's overdraft balance so that all interest, fees and charges applied to it from January 2021 onwards (and not already part of any previous refund) are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made TSB should contact Miss P to arrange a suitable repayment plan, Miss P is encouraged to get in contact with and cooperate with TSB to reach a suitable agreement for this. If it considers it appropriate to record negative information on Miss P's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in January 2021.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Miss P along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then TSB should remove any adverse information from Miss P's credit file.

† HM Revenue & Customs requires TSB to take off tax from this interest. TSB must give Miss P a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained, I'm upholding Miss P's complaint. TSB Bank Plc should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 18 August 2023.

Jeshen Narayanan

Ombudsman