

The complaint

Mr E complains that Metro Bank PLC unfairly closed his account and asked him to repay his outstanding balances, which has had an impact on his credit file. He's asked for the debts to be written off.

What happened

The facts of this case are largely not in dispute, so I will mention them only briefly here.

Mr E held accounts with Metro, including a current account with an overdraft, a loan, and a credit card. In February 2020 the bank wrote to him to say they no longer wished to provide him with banking services and would be closing his accounts in 60 days.

However, Mr E's current account was in its overdraft, and Metro prevented any more spending until the account was paid off. This meant the direct debit for his loan could not be paid, and late payment markers were recorded on his credit file. They also prevented any further transactions on the credit card. Metro asked for his balances to be repaid.

In April 2020 Mr E complained about the restrictions on his account and the closures, but Metro responded to say they had acted in line with the terms of his account.

Mr E entered into an agreement to make repayments to his loan, lower than the original loan schedule. He also entered into payment arrangements for the outstanding balances on the credit card and overdraft.

In December 2020 he found that arrears were being reported on his credit file for the loan account, when he said he'd been informed they'd be removed. Metro responded to say that they couldn't find any evidence this had been agreed. They said they had an obligation to report accurate information to the credit reference agencies.

Mr E referred his complaint to our service, asking that the negative information be removed from his credit file, and the debts written off. It was looked at by several investigators with us, and Metro made several offers to resolve the complaint. The final offer from Metro acknowledged the payment arrangements were not put in place quick enough, so they offered to:

- Remove the missed payments from Mr E's credit file from before the payment arrangements were in place
- Refund the credit card interest from March 2020 to July 2020 to reflect the delay - £151.65
- Refund him a balance on £83.37 he had previously repaid, which they had previously offered to write off
- Pay him £75 for the delays in setting up his payment arrangements.

The investigator felt this was a fair way to resolve the complaint. They said Metro were within their rights to ask for repayment of the overdraft – but they should have set up the payment

arrangements for the debts sooner. They felt it was right that these payment arrangements were recorded accurately on his credit file.

Mr E rejected this as an outcome – he said it didn't reflect the impact of the removal of the overdraft on him. He also said the accounts had now been defaulted on his credit file. The investigator looked at this, and said this was because he had subsequently stopped making payments to the debts, so it would be reasonable for Metro to record this as defaulted.

As no agreement could be reached, the complaint has been passed to me to decide.

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'll clarify that this decision is not about Metro's decision to close Mr E's current account and credit card. He complained about this separately, and then did not refer that particular complaint to our service in time. So, I won't be making any findings on whether Metro were fair to close the account. But I consider this to be relevant background information to the complaint I'm deciding on – namely how Metro have dealt with Mr E and the balances outstanding.

The investigator has rightly pointed out that overdrafts are borrowing from banks – and they are repayable on demand. This is outlined in the terms of the account. In this case when Metro decided to close Mr E's account it was overdrawn, so it's reasonable for the bank to ask for this to be repaid, and to stop any further lending with the overdraft.

Similarly with Mr E's credit card, when Metro made the decision to close the account, they are under no obligation to allow continued spending with the card. As the bank were looking to exit the banking relationship, it's understandable they wouldn't look to lend more money.

But even though Metro can ask for the overdraft to be repaid they still have an obligation to treat Mr E with forbearance and due consideration. At the time Mr E was near the credit limits for his overdraft and his credit card. There were signs that Metro could have picked up on that Mr E might struggle to repay the full overdraft balance in one go. It would have been reasonable at this point to look into Mr E's income and expenditure and see what he could afford to repay.

However, I can see this wasn't done until several months later. I can see from the contact notes Mr E contacted Metro to discuss a payment arrangement, but nothing was put in place. I accept he was making genuine attempts to resolve the situation and wasn't looking to avoid the debt.

When the payment arrangement was put in place, Mr E was making less than the contractual repayments towards his loan. I've considered whether it would have been fairer to allow Mr E to continue making the contractual repayments to the loan. But I also note that the amount Metro agreed to accept for the payment arrangement – covering the loan, credit card and overdraft – was lower than the monthly repayments of the loan.

As this amount would have been based on what Mr E could afford to repay at the time, it would seem to me that Mr E couldn't afford to continue repaying the loan at the contractual rate. In these circumstances, I would see it as unfair for Metro to ask him to continue repaying the loan at the contractual rate.

Metro have accepted they didn't do enough to help at the time. They have already refunded the overdraft charges for this period, and I think it's right they also refund the credit card interest. I'm also satisfied it's reasonable they remove any missed payment markers from Mr E's credit file and change it to show a payment arrangement was in place at this time.

I've considered what Mr E has said about not being informed of how it would be recorded on his credit file. But I also have to consider that it doesn't appear he was in a position to repay the overdraft or credit card in full, as he was asking Metro for a payment arrangement. So, there would always likely be an impact on his credit file in relation to these accounts. And the arrears notices issued by Metro explain the consequences of not making the full repayments.

Metro has an obligation to report accurate information to the credit reference agencies, and as there was a payment arrangement in place then it's not unreasonable for this to be reported as such.

And when Mr E subsequently stopped making payments to the arrangement, then it's also reasonable for Metro to record these as missed. I haven't seen anything to suggest Metro offered to suspend or stop collecting the payment arrangements while the complaint was with our service. So, it would still be up to Mr E to continue repayments.

Metro previously offered to write off the then-outstanding balance of the overdraft (£83.37). Mr E has since repaid this anyway. But I'm satisfied it's fair for Metro to refund this directly to him. But there still remains outstanding balances on the credit card and loan. This is money that Mr E has been lent and had use of. As such, I don't think it's unreasonable for Metro to ask him to repay it. I don't see a reason to ask them to waive or write off any further debts.

But I'm satisfied that Metro's delay in setting up the repayment plan will have caused Mr E more inconvenience than was necessary. Considering how long it went on, I think a payment of £75 compensation is appropriate.

My final decision

My final decision is that to resolve this complaint Metro Bank PLC must

- Adjust Mr E's credit file to remove any late payment markers from February 2020 to June 2020
- Deduct the credit card interest charged between March 2020 and July 2020 from the outstanding balance.
- Refund £83.37 directly to Mr E.
- Pay Mr E £75 compensation for the delays in setting up his payment arrangements.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 14 December 2023.

Thom Bennett
Ombudsman