

## The complaint

Miss B complains that TSB Bank plc shouldn't have defaulted her current account as she had maintained regular repayment plans through a debt management plan.

## What happened

In late August 2018, Miss B entered into a repayment plan with TSB to clear the outstanding balance on her current account. TSB first wrote to Miss B on 6 September to tell her the payment plan had been broken. TSB says Miss B went on to break several payment plans and in early 2021 an agreement was made to send the account to recoveries. TSB registered a default on the account in July. Miss B cleared the account balance in 2022.

Miss B complained to TSB that she'd maintained the payments required under the repayments plans agreed and felt it was unfair that TSB registered a default. TSB didn't uphold the complaint and said that as the debt management plan had failed several times it was unable to allow a further plan to be agreed. TSB said it had discussed this with Miss B and agreed an informal repayment plan that would ultimately result in the account being closed and moved to the collections team.

Miss B brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. The Investigator thought TSB hadn't done anything significantly wrong and Miss B asked that an Ombudsman decides the complaint. As I reached a significantly different decision to the Investigator, I issued a provisional decision and asked for further comments from Miss B and TSB. In my provisional decision I said:

*"The crux of Miss B's complaint is that after she entered into a debt management plan in 2018, the required payments were sent each month to TSB. Miss B doesn't believe it's fair and reasonable that TSB registered the default in 2021. I intend saying that it wasn't fair and reasonable for TSB to register the default when Miss B was paying the amount each month as agreed and I will now explain why.*

*I've seen evidence from the third-party debt management business that payments were made to TSB between the fourth and seventh of each month between September 2018 and May 2022 - when Miss B paid off the balance of the account. Miss B's bank statement shows that these payments were credited to the account between the eight and the eleventh of each month until the account closed. So, I think it's fair and reasonable for me to conclude Miss B did make the payments required under the debt management plan. The question that remains is whether or not it was fair and reasonable for TSB to maintain Miss B had missed the payments and whether it was reasonable for TSB to refuse any further debt management repayment plans after March 2021.*

*TSB sent letters to Miss B about the missed payments – the first of which was sent on 6 September 2018. I've considered this letter - and another that TSB issued the following year. I think it's reasonable for me to conclude that by the time the letters had been sent the debt management business had already made the payments. And most likely, by the time Miss B received the letters the payment had already been*

*received by TSB. It would have been helpful if TSB had made it clear in these letters when the start date was and when the first payment was due, but it didn't. These letters refer to the repayment plan being in arrears, but I intend saying it was reasonable for Miss B to believe it wasn't and that TSB should reasonably have been aware payments did continue when reviewing the plan. I've noted that TSB did set-up a new repayment plan in March 2018 – with payments being made and received as I've outlined above – but, even though the circumstances here are the same as previously, TSB concluded this debt repayment plan wasn't broken. I intend saying that this inconsistency in approach added to Miss B's belief that the plans were fully maintained throughout.*

*In 2020, Miss B spoke with TSB and was told she could not set-up a new repayment plan with the debt management business as she'd broken several previous plans, but she could set-up a plan that would ultimately result in the account being closed and moved to the collections team. TSB wrote to Miss B to confirm the arrangement shortly after and sent out formal enforcement and demand letters before registering a default. I'm satisfied that TSB followed the correct default process here, and I'm reasonably sure Miss B would have understood the consequences. However, I intend saying that the reason Miss B entered into this arrangement was because she'd been led to believe no other option was available. TSB had told Miss B she had broken several previous arrangements, but I intend saying it was unfair and unreasonable for TSB to reach this conclusion based on Miss B's bank statements and the evidence I've seen from the debt management business.*

*But for TSB's decision that the repayment plan had been broken several times – when the evidence suggests that it wasn't - I intend saying it's more likely than not Miss B would have continued on a debt management plan and kept up the payments and ultimately cleared the remaining debt when she could afford to. This is what happened even after TSB issued registered the default.*

*For the reasons I've outlined above, I intend asking TSB Bank plc to amend Miss B's credit file and remove the default it registered on the account and remove the late payment markers it applied between September 2018 and July 2021. I also intend asking TSB bank plc to pay Miss B £100 for the distress and inconvenience the adverse credit information has caused to her."*

TSB responded with further comments and referred me to a similar case that an Investigator had upheld. I will address the comments provided in my final decision but would like to clarify that my decision is based on the circumstances of Miss B's case and what I consider is fair and reasonable in these circumstances.

### **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.

In response to my provisional decision, TSB says the formal repayment plans Miss B entered into had a set repayment schedule, therefore if the repayments aren't received on time they will break. I think this gets to the crux of Miss B's complaint. My provisional decision compared the payment schedules provided by the debt management company and TSB and I remain persuaded that Miss B didn't miss a payment. I don't think the correspondence TSB sent Miss B about *missed* payments was as helpful or clear as it could have been as by the time the letters were received by Miss B the payments had already been received by TSB. I'm persuaded that although TSB feels several formal plans were broken, the evidence doesn't support this – and crucially, TSB has told the Financial

Ombudsman Service that some plans were broken but others weren't. I think TSB was inconsistent in its approach to these plans and I think it would have been fairer to Miss B if TSB had taken a holistic view about how these plans were being managed by Miss B and the debt management company.

Taking this into account, it seems to me that it's more likely than not TSB's decision to refuse to set-up another formal plan in 2020 feels unfair because Miss B had made all of the payments and continued to make payments after the account was moved to recoveries. I think this supports that Miss B was being proactive in reducing her debt with TSB.

I accept that TSB made Miss B aware of the consequences of the informal arrangement put in place in 2021, and that TSB went on to record a default in line with what it agreed and communicated to Miss B. But it seems to me that the reason TSB said it couldn't agree a new formal plan – and insisted on an informal plan being in place - is because it believed Miss B had broken several plans and exceeded the maximum number of formal arrangements in a 12-month period. Based on the evidence I think this decision wasn't fair and reasonable and didn't take into account Miss B actual payment record within these plans.

Of course, I can't be certain Miss B would have continued to make payments on any further formal plan TSB may have agreed in 2020. However, Miss B continued to make payments through the debt management company until she paid off the TSB account balance in May 2022 – less than a year after TSB defaulted the account. When TSB registered the default Miss B did reduce her payments, but I think it's more likely than not it would have been in Miss B's long-term interests for TSB to have considered a further formal plan in 2020 and not rely on its view that previous formal plans had been broken – especially as I'm persuaded Miss B did make all the payments on the plans she'd agreed.

### **My final decision**

For the reasons outlined above, I think TSB bank plc should amend Miss B's credit file and remove the default it registered on the account and remove the late payment markers it applied between September 2018 and July 2021. TSB bank plc should also pay Miss B £100 for the distress and inconvenience the adverse credit information has caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 5 December 2023.

Paul Lawton  
**Ombudsman**