

## **The complaint**

Mrs P complains that interest and charges refunded by TSB Bank plc should've been refunded to her personally rather than to her account.

## **What happened**

Mrs P had an overdraft with TSB Bank Plc which was included within a Debt Relief Order (DRO) granted in September 2019 and which ended 12 months later. In May 2023 TSB wrote to Mrs P telling her interest and charges had been applied incorrectly to her account between August 2018 and December 2018. So, it said it would be refunding £668.95 made up of interest, charges and 8% compensatory interest. It went on to say as there was still a balance due to TSB, the refund would be taken off the debt to reduce the amount outstanding.

Mrs P complained to TSB. She said the debt had been included in the completed DRO and so couldn't be pursued by TSB, nor could any payments be made towards it. So, she said the refund was due to her and she asked TSB to either send her a cheque or pay the money into her account. She also made the point the incorrect charges had increased the amount of the DRO.

TSB replied and said it didn't believe it'd made a mistake. It said that although the DRO had ended, the debt remained outstanding in its books. So, if it found there had been a mistake in applying interest and charges, the refund could be used to reduce the outstanding debt.

Mrs P disagreed and brought her complaint to this service where one of our investigators came to the conclusion that TSB had acted fairly and reasonably. They said the interest and charges had been applied incorrectly and so TSB was allowed to use the refund to reduce the debt. Mrs P disagreed with our investigator and asked that an ombudsman review the case. So, it's been passed to me 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.

I understand Mrs P's point of view here but, although I realise this will be disappointing to her, I don't intend to uphold her complaint. I'll explain why.

I think it's useful to clarify what a DRO is, and how it applied to Mrs P's situation.

A DRO is a simplified, cheaper, and quicker alternative to bankruptcy and is a solution to deal with personal debts which an individual cannot pay.

In Mrs P's case, she applied for the DRO, and it was approved by the Official Receiver. Once approved, Mrs P didn't need to make any further payments towards her debt with TSB or her other creditors and in turn they couldn't add any further interest or charges and had to stop collections activities. At the end of the 12 month moratorium period, TSB's debt, along

with her other creditors' debts, were "written off" and could no longer be chased.

It's the last point which is crucial in this complaint. When Mrs P's debt was written off, it didn't mean it didn't still exist in TSB's or her other creditors' records. It simply meant it was no longer being actively chased for repayment.

Having looked at all that's been said, TSB hasn't asked Mrs P to repay the debt. It discovered an error had been made and refunded the incorrect charges, interest and compensatory interest to that debt. Because of the situation with the DRO, this means that Mrs P won't see that money herself – instead the refund to the account has just adjusted what is outstanding on TSB's records so it is accurate.

Put simply, the money being refunded here was never Mrs B's – it formed part of the overdraft that she owed before the DRO and so Mrs P has never been deprived of using the money in question here. That would always have been due to reduce the debt. So, TSB's put Mrs P in the position she would've been in had the incorrect charges not been applied. That means refunding them to the account they were applied to and adjusting the balance. So, I think TSB has acted both fairly and reasonably in taking the action it has.

I've also considered Mrs P's point regarding the DRO being for an inflated figure because of the incorrect charges and interest. I agree that was the case. But I don't believe this had any impact on the action Mrs P took in applying for the DRO or what happened subsequently. So, I don't think I can ask TSB to compensate Mrs P for this.

For the reasons given above, I believe TSB has acted fairly and reasonably and so I'm not upholding Mrs P's complaint

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 14 June 2024.

Stephen Farmer  
**Ombudsman**