

The complaint

Mr P is unhappy that TSB Bank plc didn't provide him with a one-month payment holiday when he requested one, which he feels led to their later defaulting of his account.

What happened

To briefly summarise: Mr P had a personal loan with TSB on which he was paying £568.51 per month on the first of each month. Mr P didn't make the 1 November 2022 payment that was due on the loan, which meant his loan fell into arrears by one month.

The terms of Mr P's loan included that he could ask for a one-month payment holiday on two occasions each year. On 30 November 2022, Mr P called TSB and asked for a one-month payment holiday. TSB rejected Mr P's request and explained that he was ineligible to receive a one-month payment holiday because his loan was in arrears. Mr P wasn't happy about this and felt that TSB's refusal of his payment holiday request had led to his account later being defaulted by them for non-payment of account arrears. So, he raised a complaint.

TSB responded to Mr P but didn't feel that they'd done anything wrong in how they'd administered the loan. Mr P wasn't satisfied with TSB's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they concluded that TSB hadn't acted unfairly by declining Mr P's payment holiday request as they had. Mr P remained dissatisfied, so the matter was escalated to an ombudsman for 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 issued a provisional decision on this complaint on 30 January 2024 as follows:

TSB have explained that their eligibility requirements for loan repayment holidays are as follows:

- *Have made at least one repayment, and have a direct debit in place*
- *Be up to date with your loan repayments, or have missed no more than one payment*
- *Have at least 30 days remaining on your loan term*
- *Other factors may also be taken into account*

In this instance, Mr P had made several repayments and did have a direct debit in place. And he was only one payment in arrears. And he did have more than 30 days remaining on his loan term. As such, it does appear to me that Mr P was eligible to receive the one-month repayment holiday he requested on 30 November 2022.

TSB have explained that when a customer is one month in arrears and makes a request for a payment holiday, the request is sent to a sensitive case panel which assesses the request

and makes a decision as to whether to approve the request or not.

I've listened to a recording of the 30 November 2022 telephone call when Mr P made a request for a payment holiday. Notably, TSB's agent confirms that Mr P's account is one month in arrears and discusses his general financial position with him. And Mr P explains that his immediate financial difficulty – the reason he is requesting a payment holiday – is because he has recently moved house and has incurred associated one-off costs.

TSB's agent then asks to place Mr P on hold so she can type up what Mr P has told in her and to ask about whether Mr P can have a payment holiday. TSB's agent then places Mr P on hold for one minute and fifteen seconds and then advises him as follows:

"I did have a check. You will be only be eligible for a repayment holiday if your account is not in arrears. But your account is in arrears for one month now for £568.51. So, you will have to first clear that and that is when you will be able to request a repayment holiday."

I find it very unlikely that TSB's agent would have been able to have put Mr P's one-month payment holiday request to a sensitive case panel and receive an answer in the one minute and fifteen seconds that Mr P was on hold. And my doubts in this regard are amplified by the incorrect information that TSB's agent gave to Mr P about being unable to request a one-month payment holiday because his loan was one month in arrears, which is contradiction to TSB's published payment-holiday criteria quoted above.

TSB have also explained that in instances where a customer has missed one payment on their loan, payment holidays are designed to allow customers the opportunity to clear those arrears, so that they recover the position of their account.

But Mr P did make the next payment that was due on the account, the very next day on 1 December 2022 (with the direct debit having already been applied for by TSB when Mr P called them on 30 November), which I feel confirms that Mr P would have been able to recover the position of his account, if a one month-payment holiday had been granted.

TSB have also said that because Mr P requested the payment holiday on 30 November 2022, the day before his next payment was due to be taken by direct debit on 1 December 2022, that he had requested the payment holiday too late for it to have been applied to the 1 December 2022 payment, had his request been approved.

But I haven't seen anything in the payment holiday literature provided by TSB which states that a payment holiday request must be received before a certain date. And it seems reasonable to me that had TSB accepted Mr P's request for a payment holiday, they could have later acted to have retrospectively applied the payment Mr P made on 1 December 2022 via direct debit to clear the account arrears from the previous month, with payments resuming in January 2023.

Alternatively, TSB could have applied the payment holiday to Mr P's January 2023 payment, given that his account remained only one payment in arrears following the successful taking of the 1 December 2022 payment.

Ultimately, however TSB chose to work the payment holiday, I feel that Mr P's request for a one-month payment holiday should fairly have been accepted by TSB. And if this were the case then the successful taking of the 1 December 2022 payment means that the level of account arrears would have been reduced by one month from what they were.

Looking at the later position of Mr P's account, Mr P didn't make the January or February

2023 payments, which meant his account fell three months in arrears. But on 10 February he made a payment of £1,137.02 – equivalent to two monthly payments. But because Mr P's account was three months in arrears, this double payment left his account one month in arrears. However, if Mr P had received a month-payment holiday – as I feel should have been the case – then his account would have only been two months in arrears at that time, meaning that his account arrears would have been cleared in full.

Mr P then missed the next three loan payments – for March, April, and May 2023 – so that his account was £1,705.53 in arrears. But on 30 May 2023 he made a payment of £1,800, which again would have cleared the arrears in full on his account, had he been granted a payment holiday when he requested one in November 2022.

As such, I feel that by not granting Mr P a one-month payment holiday in November 2022, as I feel that they fairly should have done, TSB did contribute to Mr P's account being defaulted by them – which they did on 1 June 2023, the day after Mr M made the £1,800 payment to the account. And this is because I feel it's unlikely that Mr P's account would have been defaulted by TSB had his loan arrears been reduced by one month, which a one-month payment holiday would have done, for the reasons I've explained.

Accordingly, I'm provisionally upholding Mr P's complaint here and instructing TSB to reinstate Mr P's loan as if a one-month payment holiday had been granted and as if the £1,137.02 and £1,800 payments Mr P made had the effect of clearing the loan arrears in full at those times – as described above.

I'll also be provisionally instructing TSB to amend their credit file reporting for Mr P, removing the default and instead listing Mr P's account as being one month in arrears in November 2022, up to date in December 2022, one and two months in arrears in January and February 2022 (with the 10 February payment clearing those arrears in full), and one, two, and three months in arrears in March, April, and May 2023 (with the 30 May payment clearing those arrears in full).

Finally, I feel that Mr P has incurred an ongoing amount of worry and inconvenience because TSB didn't allow him to avail of a one-month payment holiday as I feel that they fairly should have done. And in consideration of this, I'm also provisionally instructing TSB to make a payment of £250 to Mr P in compensation for the trouble and upset he's incurred. In taking this position I've considered the impact of these events on Mr P, but also that even had Mr P received the payment holiday he would still have incurred some adverse credit file reporting and would still have had to liaise with TSB about his loan account.

All of which isn't to say that I'm not mindful of TSB's argument that Mr P's overall financial position was such at that time that a one-month payment holiday wasn't suitable for him, as per their obligations to be a responsible lender.

But having listened to the call on 30 November 2022, it seems clear to me that Mr P was explaining that while his overall financial position wasn't ideal, the reason he needed a payment holiday at that specific time was because of the one-off costs associated with a house move. And I also feel that the fact that Mr P was able to make later lump-sum payments which would have cleared in full the arrears that would have been on his account if he had been granted a one-month payment holiday, and so would have meant that his account wasn't defaulted as it ultimately was, is significant.

Mr P and TSB both responded to my provisional decision. Mr P confirmed he would be happy to accept my provisional decision, whereas TSB provided some further information for

my consideration and asked me to reassess my position. Specifically, TSB disagreed with my provisional decision on the basis that when Mr P spoke with them to request a payment holiday he had engaged the services of a debt charity to help him with his finances.

TSB note that payment holidays are designed to be short term solutions and give the example of someone having an unexpected bill. And TSB feel that the fact that Mr P had engaged the services of a debt charity means that his financial difficulties were not short term, but were more serious, such that a payment holiday wouldn't have prevented Mr P's account from defaulting, but would have only delayed the defaulting of the account, to the detriment of Mr P.

But it must be noted that Mr P spoke with TSB twice. Firstly, on 30 November 2022 and secondly on 15 December 2022. And I remain satisfied, having relistened to the 30 November call, that Mr P should reasonably have been granted a payment holiday at that time. And notably, it was only in the second call, on 15 December, that Mr P explained that he had just engaged the services of the debt charity. And I feel that if TSB had granted Mr P a payment holiday on 30 November, that it might have been the case that Mr P might not have felt the need to engage the services of a debt charity at all.

I say this because on the 30 November call, Mr P explained that his account was in arrears because he had to move house and incurred unexpected costs as a result – which I feel does correspond with TSB's given example of an unexpected bill as an example of when a payment holiday is appropriate. Mr P also explained that while he did have other credit cards, he was up to date on his priority bills and had repaid money he'd had to borrow from a friend. Indeed, Mr P very specifically stated that while he did have other creditors, the reason he was in arrears with TSB was solely because of his house move.

Because of this, I'm not persuaded to amend the decision I'd provisionally reached here. And it remains my position that TSB should fairly and reasonably have allowed Mr P to avail of a one-month payment holiday when he requested one on 30 November 2022. And it also remains my position that if TSB had allowed Mr P to avail of a one-month payment holiday at that time, that Mr P's TSB loan would most likely not subsequently have been defaulted – for the reasons explained in my provisional decision letter above.

Accordingly, my final decision here is that I'll be upholding this complaint against TSB on the basis described in my provisional decision.

Putting things right

TSB must reinstate Mr P's loan as if a one-month payment holiday had been granted for December 2022, and as if the £1,137.02 and £1,800 payments Mr P made had the effect of clearing the loan arrears in full at those times – as described above.

TSB must amend their credit file reporting for Mr P, removing the default and instead listing Mr P's account as being one month in arrears in November 2022, up to date in December 2022, one and two months in arrears in January and February 2022 (with the 10 February payment clearing those arrears in full), and one, two, and three months in arrears in March, April, and May 2023 (with the 30 May payment clearing those arrears in full). TSB must not record any adverse information on this loan from after these dates until reporting restarts with the reinstatement of the loan.

TSB must also make a payment of £250 to Mr P in compensation for the trouble and upset he's incurred.

My final decision

My final decision is that I uphold this complaint against TSB Bank plc on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 27 March 2024.

Paul Cooper
Ombudsman