

The complaint

Mr A has complained that TSB Bank plc unfairly applied a default to his credit file.

What happened

Mr A had an outstanding balance on his personal loan, and TSB recorded a default on his credit file. However, following an account review, TSB explained that it had applied interest when it feels it shouldn't have, as the account was in arrears. Had this not happened, the account wouldn't have been in a position such that a default would have been recorded.

TSB reimbursed the interest to the account, adding 8% simple interest, and there was also a surplus, which it paid to Mr A by cheque. It removed the default, and paid Mr A £250 compensation.

Mr A was unhappy with what had happened, and brought his complaint to our service. He explained that the matter had severely impacted his health. He also said that when he'd tried to pay monthly for an insurance policy, the insurer had refused, because of his credit rating. He also sought advice from a mortgage broker, who told him that if he applied for a mortgage, the default would affect him. He says he's been unable to move to another property, either to rent or buy, or take out other loans.

One of our investigators looked into what had happened. But he felt TSB had done enough to put things right. Mr A disagreed, and his complaint was passed to me.

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'm very sorry to hear about the impact this has had on Mr A's health. It's clear the matter has been very stressful and understandably so. I've taken this into account, and thought very carefully about what's happened. Having done so, and despite my considerable sympathy, I agree that TSB has done enough to put things right. I'll explain why.

TSB has acknowledged that it considers it shouldn't have charged interest when it did. And, had it not done so, the account wouldn't have defaulted. That said, it's also clear to me that the account was in arrears leading up to this. And this would also have had an impact on Mr A's credit file. Many other factors also do. So, I'm not persuaded that the default was responsible for any issues with insurance payments or moving home.

I can see that TSB has refunded Mr A, adding interest, and removed the default. It also amended the date of the loan being settled. So, it seems to me that the outstanding issue is whether the £250 compensation is fair for the distress and inconvenience caused. I think it is. I feel it's a significant sum, and in line with what I'd have awarded. Compensation isn't an exact science, and the impact on Mr A's health is clear. But I feel £250 is reasonable in the circumstances.

My final decision

It's my final decision that TSB Bank plc has already done enough to put things right, so I'm not requiring it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 22 May 2024.

Elsbeth Wood
Ombudsman