

The complaint

Mr B complains that TSB Bank plc unreasonably registered a default on his credit file, despite his attempts to pay off the debt.

(This decision relates solely to Mr B's complaint about the default. I acknowledge that Mr B has also complained that TSB closed his bank account, but that complaint falls outside my jurisdiction for the reasons previously explained by my colleague. That means I cannot comment on the account closure.)

What happened

TSB told us:

- On 13 February 2023 Mr B made a payment out of his TBS account which resulted in the account being overdrawn by £1,350. Mr B did not use his TSB account again.
- On 23 February 2023 it gave Mr B 60 days' notice that it intended to close his account. It also placed a block to prevent the majority of transfers both into and out of his account.
- Between 25 April 2023 and 20 July 2023 it sent Mr B several letters about the position of his account, and explained what could happen if he didn't start paying money into it.
- In August 2023 it passed the matter to its Consumer Debt Recovery Team, and later to a debt collection agency. Mr B has since repaid the full balance.

Mr B told us:

- He intended to repay the overdraft less than a week after he withdrew the money, but TSB blocked his account.
- He tried to log in to pay the money back, but could not. He didn't receive any letters or emails explaining what had happened.
- He spent hours calling the bank every day after work, but when he did manage to speak to somebody they just told him he had to speak to somebody else.
- Eventually he was told he had to visit a bank branch, which he did. But the branch staff told him they could only take a physical cash payment from him.
- He went abroad for a while, and when he returned he found that TSB had put a default on his credit score. The bank had also told him that he now had to pay another company – but it was easy to pay that company over the phone, just as it should have been easy to pay TSB from the beginning.

- He doesn't think it is fair that TSB should have registered a default against him, and he believes the bank should pay him for the time he wasted calling and visiting the bank and being told that only cash payments were acceptable.

One of our investigators looked at this complaint. After discussion with both TSB and Mr B, he recommended that it be upheld in part. Briefly, he said:

- Mr B tried to pay £1,200 towards his overdraft by bank transfer on 24 March 2023. TSB did not accept that payment, because Mr B's account was blocked at the time – and because it had told him he needed to visit a branch to make payment. However, he thought TSB should have accepted Mr B's £1,200 payment, or at least opened a dialogue with Mr B to discuss the matter further.
- If the bank had accepted Mr B's £1,200 payment, it is likely that the balance of Mr B's overdraft would have been reduced by £1,200 on or shortly after 24 March 2023. TSB should therefore not charge any interest on £1,200 of the overdraft after 24 March 2023 (TSB later calculated that interest as £37.77). However, Mr B's overdraft was more than £1,200, so it was still fair for TSB to record a default when it did.
- He acknowledged that Mr B had visited a TSB branch on 11 May 2023 and asked TSB to take payment from Mr B's account with another bank. But he said TSB could not have carried out that request, and so he didn't criticise TSB for not taking money from the other bank. He said TSB had told Mr B how to pay the overdraft, and that the only way that could have been done was by taking cash to a TSB branch.
- He didn't think Mr B made any further attempts to pay the overdraft until October 2023 when it was fully repaid.

In summary, our investigator thought that the default should stand, but that TSB should refund the interest it had charged on £1,200 of the overdraft after 24 March 2023.

Neither party accepted our investigator's conclusions. TSB said that it had made clear that Mr B needed to take physical cash to a branch, and Mr B said that it wasn't fair that TSB had recorded a default on his credit file when he had tried to repay the overdraft.

My provisional decision

I issued a provisional decision on this complaint in October 2024. I said:

"TSB's decision to ask Mr B to repay his overdraft was a natural consequence of the bank's decision to close Mr B's account. I cannot consider that aspect of that complaint, for the reasons explained by my colleague. But I can consider whether TSB treated Mr B fairly in respect of how it went about asking him to repay the money he had borrowed. Overall, I don't think it did.

Mr B's position is that TSB told him the only way he could repay his overdraft was by turning up at a TSB branch and handing over physical cash. I accept that the bank did tell him that – and I can see in particular that the bank wrote to him on 15 May 2023 and said "to pay the outstanding balance on your account, you will have to visit a branch and pay in funds over the counter to clear this".

However, I note that despite the fact that some of the bank's correspondence said that Mr B would have to use physical cash to pay off his overdraft, other letters gave

different information. For example, TSB wrote to him on 23 May 2023 (and on other dates) to say that he could “move money from an account with another bank”. It appears that was not true, but I can understand why Mr B thought he would be able to move money by electronic transfer from an account with another bank.

TSB has not explained why it required Mr B to make payment using physical cash. I can understand why TSB might not have wanted Mr B to make a payment to his own account, given that that account was blocked, but I consider that the bank could have given Mr B an alternative way to make the payment to TSB electronically.

In the circumstances here, I don’t think it was fair for TSB to require Mr B to repay his overdraft with physical cash in a branch. I can see that Mr B made several attempts to repay his debt to TSB. He has also told us that once the matter was referred to a debt collector and he was able to make payment by phone, he did so.

Put another way, I think that if TSB hadn’t made it unnecessarily difficult for Mr B to pay his overdraft debt, Mr B would have paid that debt off much earlier. I don’t think he would have repaid the full debt on 24 March 2023, because it doesn’t appear that he had enough money to do so at that point. But I do think it is likely that he would have repaid the full debt on or around 11 May 2023 if TSB had made it easy for him to do so. That means I don’t think TSB would have registered a default against Mr B if everything had happened as it should.

I also think it is likely that Mr B would have paid some overdraft interest in any event. I know TSB charged interest on his TSB overdraft after 24 March 2023, but I can also see that he went in and out of the overdraft facility he had with his other bank. The other bank also charges interest on overdrafts, so I think Mr B would have paid some interest either to TSB or to the other bank regardless of when he paid his debt to TSB.

Overall, I think it would be fair for TSB to refund £37.77 of the interest Mr B paid to TSB. I’m aware that that figure is slightly too high, because it makes no allowance for the interest Mr B would have paid to the other bank if he had used (part of) his overdraft from the other bank in order to repay TSB. It also makes no allowance for any interest Mr B paid on the remainder of his TSB overdraft after 11 May 2023. But a calculation taking account of both of those issues would require a full reworking of Mr B’s accounts with both banks, which I don’t think would be a worthwhile exercise here.

Finally, I consider that TSB’s actions here have affected Mr B both practically and emotionally. We publish information on our approach to awards for distress and inconvenience on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> . In this case I consider that TSB made a single mistake which required Mr B to make a reasonable effort to sort it out. Taking into account our guidance, and applying my own judgement, I consider that a payment of £200 would be fair compensation for the distress and inconvenience that it caused.”

Mr B accepted my provisional findings in full (and also pointed out an error where I wrongly said that an event happened in 2024 rather than 2023). TSB did not accept my provisional findings. Briefly, it said:

- It is satisfied that it made clear to Mr B that he could only use physical cash to clear his overdraft balance. That was a decision it was entitled to make.

- It accepts that its “Collections and Recoveries” letters told Mr B that he could move money from another bank, but by that point Mr B was already aware that he needed take physical cash to a branch. Those letters are standard, and cannot be tailored to an individual customer’s situation. In any event it does not agree that the letters caused Mr B any confusion, because he made no further attempts to clear the outstanding balance after 11 May 2023.
- Mr B knew what he needed to do – take physical cash to a TSB branch – but chose not to do that. He then went abroad, knowing that he had an outstanding balance on his TSB account. He needs to take some responsibility for doing that.
- Although Mr B says he made several attempts to contact TSB by phone, its own records do not reflect that. On the contrary, the bank made several failed attempts to contact Mr B by phone before the outstanding balance was passed to its Consumer Debt Recovery Team.
- Overall, the default was correctly recorded on Mr B’s credit file and should not be removed, the £37.77 interest was valid and should not be returned to him, and £200 in compensation is not appropriate because Mr B needs to be held accountable for failing to do what he needed to do. In addition, TSB is required to record a true reflection of how an account has been managed, and removing the default would mean future financial institutions would not gain an accurate picture of his financial history when completing their own checks.

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 have carefully considered TSB’s further comments, but I have not changed my mind. I have reached the same conclusions as I did in my provisional decision, for the same reasons. I therefore confirm those conclusions as final.

Whilst I accept that TSB is not able to personalise its “Collections and Recoveries” letters, I don’t think it was helpful for TSB to repeatedly send Mr B information that was not relevant to him – even if he did not rely on those letters.

I acknowledge that Mr B left the UK knowing that he had an outstanding debt with TSB. But as I said in my provisional decision, I think that if TSB had made it easy for him to pay that debt he would have done so. I note that once the matter was referred to a debt collector and he was able to pay by phone, he made the payment.

In the overall circumstances I don’t think it was reasonable for TSB to only accept payment from Mr B in physical cash. I have carefully considered TSB’s response to my provisional decision, but I still think TSB could – and should – have made other alternatives open to him. For example, even if the bank was not prepared to accept payment into Mr B’s own account, it could have given him different payment details. If TSB had provided an alternative I think it is likely that Mr B would have repaid the overdraft before TSB recorded the debt as in default (and before going abroad). For the reasons I gave in my provisional decision, I don’t think TSB acted fairly when it recorded a default against Mr B’s credit file.

Putting things right

For the reasons I gave in my provisional decision, TSB should:

- Remove the default that it recorded against Mr B's credit file;
- Pay Mr B £37.77 in respect of interest; and
- Pay Mr B £200 in respect of distress and inconvenience.

My final decision

I order TSB Bank Plc to compensate Mr B as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 December 2024.

Laura Colman
Ombudsman