

The complaint

Mr M complains that TSB Bank Plc placed a default on his credit record after it closed his bank account.

What happened

In April 2023, Mr M opened an account with TSB. At the same time, he applied for an interest free arranged overdraft of £2,000. The application was accepted. But Mr M says he intended to use this overdraft to repay a credit card. A few days later, Mr M transferred £1,500 from this overdraft to another account in his name. TSB then decided to close Mr M's account. At the end of June, TSB transferred the account to its collections department. TSB sent Mr M an enforcement notice in July, and a formal demand in August. On 5 September 2023, TSB moved the outstanding balance (£1,459.25) to its recoveries department and registered a default on Mr M's credit file.

Mr M thinks he's been treated unfairly – and that had he known TSB intended to close his account he wouldn't have used the overdraft to pay off his credit card. He wants the default removed from his credit report

I issued a provisional decision on this complaint on 11 October 2024. I didn't think the complaint should be upheld. I said I'd consider any further comments I received before 25 October. Mr M has replied to say he doesn't agree with my findings. TSB says it agrees. I've therefore reviewed the complaint afresh.

.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 my provisional decision I said:

The terms and conditions that applied to this account said that Mr M could apply for an interest-free arranged overdraft, up to a limit of £2,000. But they also state that TSB can ask Mr M to repay his overdraft at any time. The terms likewise allow TSB to close the account provided it gives Mr M two months' notice. Here, TSB gave Mr M two months' notice. Based on everything I've seen, I'm satisfied TSB was acting in line with the relevant terms and conditions when it closed Mr M's account and demanded repayment of the overdraft.

I next turn to the information recorded by TSB with the credit reference agencies. TSB is required to ensure the information it records about its customer's repayment of debt is accurate. It can record a default to show that the relationship has broken down, but it shouldn't do this if it has agreed an arrangement with the borrower and the borrower sticks to those terms. TSB also has a responsibility to treat customers in default or in arrears difficulties with forbearance and due consideration. And where a customer is in default or in arrears difficulties, TSB should work with the customer to establish an appropriate repayment plan.

With this in mind, I've looked at what happened. TSB told Mr M it planned to close the account towards the end of April 2023. Mr M then contacted TSB to say he would have difficulties paying £1,500 at once. It appears TSB needed Mr M to go into a branch with photo ID and proof of address before they could help him further. Mr M agreed to visit the branch. Then on 2 May 2023 the branch contacted TSB on Mr M's behalf. They asked about setting up a payment plan to clear the overdraft. TSB says that as the account was due to close they couldn't set up a payment plan, and that Mr M would need to wait for a letter asking him to get in touch and then set up a payment plan to clear any arrears. Mr M, however, says that at a subsequent meeting the manager at the branch suggested he repay the debt in instalments of £100 a month – Mr M has sent us screenshots showing that he set up a standing order from one of his other accounts, but TSB had placed a block in place that meant it couldn't credit the account.

I note TSB also sent Mr M letters twice in July 2023 and again in August 2023 asking Mr M to make payments towards the debt. These letters asked Mr M to get in touch if he couldn't repay the debt in one go.

I finally note that Mr M says that he was very busy through the summer of 2023. He's told us that at the time he tried to make the failed payments he was very busy – and that he forgot about it. He says he then lost his job and had to take on part time work, which together with other family issues meant he wasn't able to discuss the debt with the third-party debt collector TSB sold it to until October 2023.

Based on what I've seen:

- I accept Mr M initially contacted TSB to explore an arrangement to repay the debt. It appears TSB couldn't agree an arrangement immediately, but it told Mr M he'd be able to contact it once he received letters about the debt.*
- The letters TSB sent included contact details that Mr M could call if he couldn't repay the debt immediately.*
- I accept that Mr M set up a standing order to make regular repayments to the account, even if restrictions placed on the account meant TSB would only accept payments in branch. That said, Mr M says that after his payments failed he initially ignored the issue. He says he lost track of the situation because he was busy attending to other matters.*
- Mr M says that when he was contacted by the third party to whom TSB sold the debt, he wasn't in a position to agree a repayment arrangement. It was only a few months later, after he changed job, that he began to make payments to the debt.*

I recognise this will be disappointing to Mr M. But I think he had some responsibility to contact TSB to make arrangements to repay this debt. He was aware that his existing standing orders had failed – and that he wasn't making payments towards the debt. TSB did say in its letters that Mr M needed to get in touch if he wasn't able to repay the overdraft. And TSB waited a number of months – during which period he made no payments to the account – before it registered the default.

I accept that there were things TSB could have done better. In particular, I question whether it was fair for TSB to refuse to discuss a repayment plan in May when he first tried to discuss this with his branch. But matters didn't stop there: I'm satisfied Mr

M still had ample opportunity to discuss an arrangement to repay the overdraft before TSB registered the default. And so I'm not persuaded that Mr M is in any worse position because of this.

Finally, given what Mr M has said, there's real questions about whether he'd have been in a position to agree to an arrangement to repay the debt or to keep to any agreed terms. He says he lost and then had to find a new job during this period.

For these reasons, I'm not persuaded it was unfair for TSB to place the default on Mr M's credit record. It follows that I don't uphold the complaint and I'm not going to tell TSB to do anything further to put things right.

Mr M disagrees with my findings for a number of reasons. He highlights that he'd been a TSB customer since 2021 or 2022 and that his account had been in good standing during this time. TSB offered him an interest free overdraft, and he accepted that opportunity. He says he had no reason to believe his account would be closed for using the funds for their intended purpose.

He further states that he visited the branch and contacted TSB to agree an arrangement to repay – but this was unsuccessful. But a series of major life events left him in a difficult position. He cannot secure stable housing because of the default and his family have had to move abroad.

I've carefully considered the points Mr M has raised. We've also asked Mr M for further details of his contact with TSB.

I have every sympathy with Mr M and don't doubt he's gone through a difficult time. But his further comments tend to raise further questions about whether he'd have been in a position to agree to an arrangement to repay the debt. He says he unexpectedly lost his job shortly after he'd spent money moving house. And I note that this whole situation arose after he used his overdraft to repay existing borrowing on a credit card. This on its own raises real concerns that Mr M's borrowing was becoming unsustainable. Mr M has confirmed that when the debt collectors contacted him later in the summer, he wasn't in a position to agree a repayment arrangement – he only agreed repayments after he got a new job.

In any case, the letters TSB sent Mr M explained he needed to repay the debt immediately and asked him to call them immediately if he couldn't repay the full balance. Mr M didn't make any payments to the account. He's confirmed that, aside from the initial contact with TSB through the branch, he didn't call TSB to discuss repaying the debt. In all the circumstances I can't say it was unfair for TSB to record the default.

My final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 November 2024.

Rebecca Hardman
Ombudsman