

## **The complaint**

Mr S is unhappy because TSB Bank plc have recorded a default on his credit file.

## **What happened**

Mr S took out a loan with TSB in March 2018. The loan was for £5000 repayable by 64 monthly payments of £106.75.

Mr S initially kept up with his repayments, However, in November and December 2021 Mr S's direct debit was returned unpaid which resulted in the account falling into arrears. In December 2021 Mr S cleared the arrears but the January 2022 direct debit was returned unpaid.

TSB sent a letter to Mr S on 19 January 2022 advising him of the missed payment and asking him to bring the account up to date.

TSB didn't hear from Mr S. On 29 January 2022 it sent a letter to Mr S asking him to contact them or bring the account up to date. The letter explained that missed payments might be reported on Mr S's credit file, and that a default might also be recorded on his credit file.

TSB didn't hear from Mr S. It sent a further letter dated 8 February 2022 asking him to bring the account up to date. Mr S's February direct debit was returned unpaid, which meant the account was two months in arrears.

On 1 March 2022 TSB sent a Default Notice to Mr S which advised him that he had until 21 March 2022 to settle the arrears, otherwise the account would be closed and passed to a debt collection agency and a default would be recorded on Mr S's credit file.

Mr S's March direct debit was returned unpaid. This meant that the account was three months in arrears. On 8 March 2022 TSB sent a letter to Mr S advising him that they had stopped applying interest to his loan and warning him of the consequences of non-payment, including a default.

On 30 March 2022 TSB issued a formal demand letter. The letter stated that if the arrears weren't paid within 12 days the account would be defaulted and closed. The letter explained that even if Mr S repaid the loan after the account had been defaulted, TSB would record that the loan had been repaid but wouldn't remove the default from the credit file.

The arrears weren't cleared within the timescale set out in the letter, so the account was defaulted on 27 April 2022.

In May 2022 Mr S settled the loan balance. TSB marked his credit file to show that there was no outstanding balance.

Mr S complained to TSB. He wasn't happy that, despite having repaid his loan, the default hadn't been removed from his credit file.

TSB didn't uphold the complaint. In its final response dated 2 April 2024 it explained that

because Mr S hadn't settled the arrears within the timescale required, a default notice had been issued on 1 March 2022 and a formal demand had been issued on 30 March 2022, with the account being defaulted on 27 April 2022. TSB said it was unable to remove the default marker.

Mr S remained unhappy and complained to this service.

Our investigator didn't uphold the complaint. She said that she hadn't seen any evidence to suggest that TSB had made an error when it defaulted the account. She said TSB was required to report accurate information to the credit reference agencies, which meant it had to share information such as missed payments, arrears and defaults.

Mr S didn't agree so I've been asked to review the complaint.

### **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've reviewed the account history. Mr S's direct debits were returned in January, February and March 2022. This meant that the account was three months in arrears by the time TSB issued the Default Notice.

The Information Commissioners Office (ICO) has issued guidance which says that a lender can default an account when there are three months of arrears. The guidance also says that a lender should default an account by the time there are six months of arrears.

Based on what I've seen, TSB has acted in accordance with the guidance by defaulting the account once there were three months of arrears. I'm unable to say that TSB made an error or treated Mr S unfairly when it defaulted the account.

I appreciate that Mr S had been in hospital for the early part of 2022. Mr S has told this service that he didn't make TSB aware of his circumstances at the time. I understand that Mr S wished to keep this information confidential, but if TSB wasn't aware of Mr S's difficulties then I'm unable to say that they should've done more to assist Mr S. In any event, I can see that Mr S was out of hospital by the end of March 2022. TSB issued a formal demand letter on 30 March 2022 giving Mr S 12 days to bring the account up to date. I've no reason to think that Mr S didn't receive this letter, so I think he had an opportunity to contact TSB during this time.

I understand why Mr S feels that the default should be removed from his credit file. There's no dispute that the account has been settled. However, Mr S didn't settle the account until after it had been closed and defaulted. TSB – as with all lenders – is under an obligation to report accurate information to the credit reference agencies. This means that if a customer has missed payments, made a late payment, accrued arrears or had an account defaulted, the lender is obliged to provide this information to the credit reference agencies. This is so that other lenders/potential lenders are able to see how a consumer has managed current or past accounts.

Taking everything into account, I'm unable to say that TSB has made an error or treated Mr S unfairly. I won't be asking TSB to do anything further.

### **My final decision**

My final decision is that I don't uphold the account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 September 2024.

Emma Davy  
**Ombudsman**