

The complaint

Mr J complains that TSB Bank plc informed him that the wrong account was closing and unfairly recorded a default against him.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

I'm aware that Mr J has brought two complaints to our service on behalf concerning his business and current accounts. This decision will focus on Mr J's complaint about his personal account. Mr J's complaint about TSB closing his business account has been dealt with separately. But where necessary I've referred to Mr J's business account in this decision.

Mr J had an overdraft on a student account he had with TSB. Mr J also opened a business account with TSB in March 2023. Shortly after opening the business account, TSB reviewed Mr J's accounts. Following this TSB decided it no longer wanted to provide Mr J with banking facilities. TSB closed both accounts and asked Mr J to repay his overdraft on his student account.

In summary, Mr J complains that TSB:

- Didn't make it clear to him that they had decided to close both his personal and business accounts.
- He never received letters TSB sent to him about his overdraft. And only found out he needed to repay his overdraft in July 2023 when he received a letter from TSB's debt collectors.
- He had forgotten he had a student account and would have cleared the overdraft if TSB had told him his personal account was closing. He would then have cleared the overdraft immediately. But TSB didn't make this clear to him.
- It's unfair that TSB have recorded a default against him because it didn't give him clear information.

TSB said it hadn't treated Mr J unfairly when they closed Mr J's personal account and asked him to repay his overdraft. TSB said it made it clear to Mr J that all of his accounts would be closed when it sent him a notice to close letter on 15 March 2023 via email.

TSB sent Mr J further letters on 19 May 2023, 31 May 2023, and a final demand letter on 22 June 2023 telling Mr J that he needed to repay what he owed within 12 days. The letters warned Mr J that failure to pay would result in a default being registered against him and information about him being reported to credit reference agencies that may impact his ability to obtain credit in the future.

Mr J didn't pay the outstanding debt or contact TSB. So the bank passed the account to its debt collections team, who I will refer to as M. On 11 July 2023, TSB registered a default against Mr J. Mr J contacted M and repaid what he owed on 28 July 2023 and the account

was settled. TSB updated Mr J's credit file to confirm the debt had been repaid and account settled. However, the default remained.

TSB said it had reported accurate information to the credit reference agencies, and it wasn't willing to remove the default. TSB said that when Mr J complained to them he confirmed to the bank, on his complaint form, that he had received the letters TSB sent to him in May and June 2023, but chose to ignore them, as he had forgotten about the student account and the debt owed.

Mr J brought his complaint to our service. He said after TSB told him that his business account was being closed he called to find out what was happening. He said when he spoke to TSB it wasn't made clear to him that both his accounts would be closed. However, his business account wasn't closed for a number of months so he carried on using it.

Mr J said he started to receive letters but assumed these had been sent in error as his business account wasn't closed. And he didn't have an overdraft on his business account. He said he only realised his current account had been shut when he tried to log into his online banking. Mr J said he had forgotten about the account. And if he had received the correct information about which accounts TSB were closing he would have cleared his overdraft and avoided the default being registered. So he wants the default removed.

An investigator looked into Mr J's complaint and asked him and TSB for some more information. Mr J told the investigator that he never received the letters TSB sent to him. He said he only received the letter from M dated 13 July 2023, and only then did he realise there was a problem. And that the debt had nothing to do with TSB closing his business account. He said it was only the letter from M that pushed him to look deeper into things.

The investigator reviewed everything and said that whilst TSB didn't make it clear to Mr J which accounts they were closing when he called TSB about his business account, TSB had sent Mr J letters about the debt and given him opportunities to clear his debt. So, the investigator said TSB hadn't treated Mr J fairly by recording the default against him.

Mr J disagreed. He said if TSB had given him the right information he would have cleared his overdraft immediately. He said as soon as he realised he paid what he owed. So, he wants the default removed.

As no agreement could be reached the matter has come to me to decide.

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.

Having done so, I don't think TSB acted unreasonably or treated Mr J unfairly here. I understand Mr J feels strongly about the situation and I'm sorry to disappoint him. But I'm not going to ask TSB to do anything. I'll explain why.

In deciding what's fair and reasonable here I've taken into account guidance issued by the Information Commissioner's Office (ICO) which says when a consumer is at least three months behind with their payments then a default notice may be registered. And it would expect the default to be registered by the time the consumer is six months behind with their payments. I've also taken into account relevant rules and guidance that are contained in The Financial Conduct Authority's Consumer Credit Sourcebook, (CONC), which sets out that firms should treat consumers in default or in financial difficulties with forbearance which

would include such things as accepting token payments for a reasonable period of time, waiving or cancelling any further interest of charges.

The key issue I need to decide here is whether TSB has treated Mr J fairly in respect of a debt that appears to have resulted from use of his student current account. Mr J had an overdraft debt of £1,000 that he needed to pay back when TSB decided to close his personal account (along with his business account) in March 2023.

TSB didn't agree it had acted unfairly. It said it was within its rights under the terms and conditions to review the account and give Mr J notice that it would be closed. It said it was standard practice for closed accounts to be referred to third parties to collect payments on its behalf. It also noted that Mr J hadn't made any payments on the account since it was closed in March 2023. TSB did accept that there had been instances of poor service when it closed Mr J's business account and offered Mr J £250 to put things right.

Mr J says TSB didn't make it clear to him that his personal account was going to be closed. He also says he never received the letters TSB sent to him in May and June 2023. And said he only received the letter from M in July 2023 which essentially spurred him into action.

Mr J has also said that he had forgotten about his student account and the overdraft. So, he says TSB shouldn't have defaulted him because he was given wrong information and never received the letters.

I've seen copies of numerous letters TSB sent to Mr J about his overdraft and account closure, including:

- The notice to close letter sent to Mr J on 15 March 2023 which stated: ***If your accounts are overdrawn**, you will need to make arrangements to repay the outstanding balance owed to us. We understand that it may not always be possible for you to repay the full amount within two months. If this is the case, please visit one of our branches to discuss this further. Please bring this email with you for reference.*
- Enforcement notice letter dated 19 May 2023.
- Enforcement notice letter dated 31 May 2023.
- Final demand letter dated 22 June 2023.

From looking at all the letters I've mentioned above, I'm satisfied that TSB sufficiently communicated with Mr J about the plans it put in place for his account, the need to repay what he owed and the action it was taking in respect of the outstanding debt (including issuing the final demand and recording a default. So, I don't think it acted unfairly in this respect.

Mr J told the investigator that he never received the letters TSB sent him in May and June 2023. He says he only received the July 2023 letter from TSB's debt collection agency, M. TSB has provided screenshots showing that the letters above were sent to Mr J's address. I can see that the letters are all correctly addressed. Mr J hasn't made this service aware of any problems he was experiencing with his post. I note too that when he complained to TSB he told them, *'Eventually, I started to receive notices that I owed money and assumed that were in error as well and ignored them as I have no overdraft on the business account.'* So, when I weigh things up, I think it's likely Mr J did receive the letters that TSB sent to him asking him to repay his overdraft.

At this point, after receiving these letters, I would have expected Mr J to have contacted TSB, especially as he was being chased for a debt and was informed that failure to pay, would result in a default being registered against him, however he didn't make any attempt to contact TSB or do anything until he'd received the letter from M in July 2023.

Mr J has also argued that if he'd been given correct information by TSB when he contacted them about his business account being closed in March 2023, he would have paid what he owed and avoided being defaulted. I understand the point Mr J is trying to make here. And I've listened to the phone calls Mr J had with TSB on 15 March 2023. Having done so I agree TSB didn't tell Mr J during those calls that it had decided to close his personal account. And only spoke to him about its decision to close his business account. I think TSB missed an opportunity here and could have made it clear to Mr J that it had decided to close both his accounts. TSB have acknowledged it made mistakes in closing Mr J's business account which resulted in the business account being kept open when it should have been closed. It has paid Mr J £250 compensation to put this right.

Mr J says because TSB didn't make it clear to him about his personal account closing it was unfair to record the default. I don't agree. I say this because following these calls, I'm satisfied that TSB did make it clear in the letters that it sent to Mr J in March, May and June 2023, that it had decided to close his personal account and that he needed to repay his overdraft. I've already said I think it's likely Mr J received these letters. And I can see that the letters referenced Mr J's personal account number and that he owed £1,000. Even, if I accept Mr J thought that the letters had been sent in error, because of the mistakes with his business account, I find it surprising that Mr J didn't contact TSB to find out what was happening. Especially given the implications of not repaying the debt on Mr J's credit file.

I recognise this will be disappointing for Mr J. But I think he had some responsibility to contact TSB to make arrangements to repay his debt. For the reasons I've explained, I'm satisfied that Mr J was aware he needed to repay what he owed. TSB said in its letters that Mr J needed to get in touch if he wasn't able to repay the overdraft. And Mr J didn't contact TSB. TSB also waited a number of months – during which no payments were made to the account – before it registered the default.

I accept that there were things TSB could have done better. But Mr J still had ample opportunity to repay the overdraft before TSB registered the default. And so, I'm not persuaded that Mr J is in any worse position because of the mistakes TSB made in relation to the closure of his business account.

So, when I weigh everything up, I am satisfied that the actions TSB have taken are in line with ICO guidance and CONC rules. And I'm not persuaded it was unfair for TSB to place the default on Mr J'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.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 18 June 2025.

Sharon Kerrison
Ombudsman