

## **The complaint**

Mr F complains that Metro Bank Plc ('Metro') gave him a current account instead of a basic bank account when he was in financial difficulty. He's unhappy that Metro permitted him to use the current account's unauthorised overdraft facility, and this led to a negative entry on his credit file.

Mr F wants Metro to apologise, refund charges and fees, pay compensation for his distress and inconvenience, and remove what they're reporting to his credit file.

Mr F's also unhappy that he found Metro to be obstructive when he tried to raise a complaint with them. Mr F would also like Metro to facilitate a clearer and easier complaints process for their customers.

## **What happened**

Mr F opened a current account with Metro in November 2016, which had no authorised overdraft. However, the account had the facility to become overdrawn if sufficient funds weren't available to pay for transactions.

In August 2019 Mr F made purchases that took his account into an unauthorised overdraft. Metro sent Mr F letters and text messages to ask him to pay money into his account, and sent a default notice requiring Mr F to repay the overdrawn sum before 19 February 2020. Mr F didn't make the payment, so his account was defaulted.

Mr F was adjudged bankrupt in February 2022 and was discharged a year later.

In 2023 Mr F raised a complaint with Metro using a complaints portal, saying that they were incorrectly reporting a default with an outstanding balance to his credit file, and that due to his bankruptcy this should be reported as a zero balance. Metro upheld Mr F's complaint and updated his credit file to show a balance of £0 to reflect that Mr F's bankruptcy had extinguished the debt. The reported default date was 19 February 2020.

Mr F recently tried to raise a second, new complaint through the same complaints portal. Metro misunderstood this was a new concern, and they said he could refer his first complaint to the Financial Ombudsman Service. When Mr F challenged this, saying he wanted to raise a new complaint, he was told he had to telephone Metro.

Mr F telephoned Metro to raise his second complaint, but Metro's first call agent couldn't bring up Mr F's details on their computer system so transferred him to another person. Metro's second call agent didn't know why he'd been transferred to them so Mr F had to repeat a lot of information, and they also couldn't load his account profile. Mr F was subsequently passed to a third call agent and explained why he was ringing a third time. He was asked for characters of his security password which Mr F couldn't recall given the age of the account. The third agent tried alternative methods of verifying Mr F, but ultimately said she was unable to assist Mr F further and he'd need to go into a branch.

Mr F then emailed Metro's CEO setting out details of his second complaint - that due to his financial difficulties he should never have been given a current account with an unauthorised overdraft facility and, because of this, the default marker on his credit file should be removed completely. Mr F added he thought the date of default was being reported incorrectly in any event. Mr F requested a refund of any charges. Mr F also complained that he'd been unable to log his complaint through Metro's usual procedures and he'd found Metro to be obstructive.

Metro upheld Mr F's second complaint in part. They said they'd acted responsibly in giving Mr F a current account and they'd acted in line with the terms and conditions that applied, so they didn't agree to remove the default marker or refund any sums. But Metro acknowledged the difficulties Mr F had experienced when trying to raise a complaint and offered Mr F £50 compensation to reflect this.

Mr F referred his second complaint to the Financial Ombudsman Service, sharing details of how he'd been impacted by what had happened. Metro gave their consent for us to consider this matter despite the time that had passed since the opening of Mr F's current account.

Our investigator considered the second complaint and thought Metro had acted fairly and that their offer of £50 compensation was reasonable. Mr F disagreed, and said he was mainly now concerned that Metro had been deliberately obstructive when he'd tried to raise his complaint.

#### My provisional findings

I recently issued my provisional findings in relation to this complaint, as follows:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.*

*Having done so I intend to uphold Mr F's complaint in part, for reasons I'll set out. I intend to say that Metro should increase the compensation they've offered Mr F to £100, which I think would reasonably reflect his distress and inconvenience here, but they needn't do more than this.*

*I'm conscious that Mr F's suggested he's now more concerned with how Metro have engaged with him rather than the default marker. For completeness, I'll address both issues.*

*Mr F's contention that the default marker should be removed stems from his belief that Metro should have limited him to a basic bank account – that is, one without any facility to go overdrawn - because their checks should have shown he was in financial difficulty at the time he applied for the account. I recognise that he'd like a refund of the overdraft charges, even though his debt to Metro was extinguished by his bankruptcy.*

*The regulatory rules and guidance that lenders need to consider when advancing credit have changed over time – but typically they have all required lenders to perform reasonable and proportionate checks to satisfy themselves that a borrower would be able to repay any credit in a sustainable way.*

*Mr F didn't apply to Metro for any credit, but Metro have evidenced they still conducted checks at the time Mr F applied for his current account. Their checks showed Mr F had no arrears, he wasn't the subject of debt collection activity, and no notices regarding bankruptcy, IVA or County Court Judgments applied to him. Metro noted Mr F was using a*

lot of his available credit but said this wouldn't have altered their decision to grant Mr F a current account, given he wasn't applying for any credit at the time.

I'm inclined to say that Metro's checks were reasonable and proportionate given that Mr F was applying for a personal current account with no planned overdraft facility, although there was a facility to become overdrawn. So, I am not inclined to agree with Mr F that Metro acted irresponsibly in giving him the current account he applied for.

I've next considered whether Mr F was treated fairly by Metro when he became overdrawn. The terms and conditions for the current account set out that in some instances the account might be permitted to go overdrawn. They said:

**"6 Borrowing money on an overdraft**

*...If your account balance does go below your available balance we will not charge you for this but it does not mean we will allow the same to happen again. In these circumstances you must immediately pay money into your account to bring it into credit or within any agreed overdraft limit. Increased charges apply for unarranged overdrafts as set out in the important information summary for current accounts..."*

The Important Information Summary for Current Accounts said:

*"...there may also be occasions where a payment instruction (for example debit card, direct debit or cheque) cannot be met from the balance of your account and either creates an overdrawn balance on your account or exceeds the overdraft limit you agreed with us. We will treat this as your instruction for an informal request for an 'instant' overdraft and this balance will incur Overdraft Interest and might also incur a Paid/or Unpaid item fee (please see below for more details)."*

So when Mr F applied for his current account, and accepted the terms and conditions, I think he was reasonably on notice that there was a risk he could become overdrawn if he didn't manage his account with a positive balance.

I can see from Mr F's statement of account that he didn't utilise his account often and kept a low running balance. Mr F became overdrawn in May 2019 and June 2019 because of pay at pump fuel purchases, but I can see he paid money into his account within a month of each transaction to rectify this in line with the terms and conditions of his account. When the account became overdrawn a third time in August 2019, Mr F didn't repay the overdrawn amount as he'd previously been able to do.

As a result of being overdrawn, Metro applied small sums of monthly debit interest to the overdrawn amount, although they later refunded a portion of this. I don't think this was unfair or unreasonable given overdraft interest was provided for in the terms and conditions, and Mr F hadn't been able to repay the overdraft.

Taking into account the way the account was used, I'm not minded to say that Metro should refund any sums to Mr F. On that basis, given the overdraft debt (and associated interest) was included as one of Mr F's bankruptcy debts, it hasn't been necessary for me to liaise with Mr F's trustee in bankruptcy in this respect.

I've next considered what happened when Metro decided to default Mr F's account, and if there is anything to put right here.

The Information Commissioner's Office (ICO) gives guiding principles for businesses reporting arrears, arrangements and defaults to Credit Reference Agencies ('CRAs'). This sets out that by the time an account is at least three months in arrears, and normally by the

*time an account is six months in arrears, it's generally expected that a default will be registered.*

*I think it fair to say that as of August 2019 Metro were reasonably aware that Mr F was struggling to manage his account. In those circumstances the regulator – the Financial Conduct Authority ('FCA') - would expect Metro to take action to prevent the debt increasing in an unsustainable way.*

*I can see that Metro sent Mr F multiple text messages and letters requiring him to repay the overdrawn amount and asking him to contact them. Metro then issued a default notice in January 2020 which gave Mr F a final chance to make a payment before they closed and defaulted his account.*

*Given the industry expectations here and the lack of payment, I can't say that it was unfair or unreasonable for Metro to have defaulted the account when they did, and subsequently inform the CRAs of this.*

*Mr F isn't certain that the default marker on his credit file is currently dated correctly. In line with the ICO's guidance I'd expect the date of the default marker to be consistent with the date of any IVA or bankruptcy that included Mr F's account, unless a default had already been registered.*

*I'm aware that Mr F entered an IVA in May 2018 but the overdraft debt owed to Metro didn't arise until July 2019. The default occurred on 19 February 2020 when Mr F didn't pay the sums demanded in Metro's default notice. So I'm inclined to say that the default marker is correctly dated as 19 February 2020, and Mr F can expect this to show on his credit file until 19 February 2026.*

*Mr F was adjudged bankrupt in February 2022. Mr F says the marker reflecting the bankruptcy should be enough to show what's happened without Metro's default marker also showing on his credit file, particularly as he no longer owes anything to Metro. Mr F would therefore like the default marker removed. But I wouldn't expect Metro to remove previously registered defaults when a customer enters bankruptcy, given the ICO's guidance.*

*Taking all of that into account, I'm minded to say the default marker reported by Metro is a fair and accurate reflection of what's happened in relation to that account and so I don't agree this should be removed or amended.*

*Turning now to the second issue, Mr F's submissions indicate his annoyance that he'd attempted to contact Metro in various ways but was unable to easily raise his concerns about the account and log his complaint.*

*The Financial Ombudsman Service can't investigate complaints about complaints handling or the firm's complaints processes under the rules we follow, but we can look at a firm's engagement with their customers directly relating to the handling of the financial product itself.*

*Given Mr F was able to raise his first complaint and have this resolved, and Metro's call agents were having difficulty with their computer systems, I'm not minded to agree with Mr F that Metro were intentionally obstructive here. But I agree there were avoidable difficulties, and Mr F was put to more trouble than I'd expect when trying to engage with Metro about how his account was being reported.*

*The FCA's Handbook of rules and guidance set out several Principles for Business that underline the fundamental obligations of firms they regulate. I'm minded to say Metro fell*

*short of their Principle 6 obligation, to “pay due regard to the interests of (their) customers and treat them fairly.”*

*I say this because Mr F had to contact Metro three different ways for Metro to properly engage with him – by complaints portal, email and telephone - and no steps were taken to escalate him to a manager or avoid him having to repeat himself. Ultimately Mr F was told he’d have to go into a Metro branch to access support with his account – and I note Mr F’s nearest branch is around 10 miles away, as there isn’t one in the city where he lives.*

*I think Metro have already accepted Mr F’s experience fell below everyone’s expectations when they offered him £50 in compensation. In the circumstances I propose a more reasonable sum to recognise what’s happened would be £100.*

*I acknowledge Mr F’s strength of feeling that Metro’s actions have exacerbated his personal difficulties over the years and I am sorry to hear of the challenges he’s faced. I think it important to say that the compensation I’ve proposed is to recognise his recent attempts to engage with Metro about his account rather than address the upset he’s felt throughout his relationship with them or his concerns about their complaints process.*

*This is because, whilst I don’t doubt Mr F’s feelings, I’m not minded to say he was treated unfairly by Metro in the opening, handling or closure of his current account, or the current reporting of the default to the CRAs. Further, because this service is not the regulator, we do not fine or punish firms, nor ask them to change their processes.”*

#### Responses to my provisional decision

I asked the parties to let me know if there was anything further they wished me to consider, before I made any final decision.

Metro didn’t respond.

Mr F said he accepted my provisional findings as he wanted to bring this matter to a conclusion. However, he made some comments for my consideration:

- Mr F didn’t think Metro’s checks on his financial standing were correct because he wasn’t managing his credit accounts well – he was in arrears, paying late and consistently overdrawn.
- Mr F accepted I couldn’t change Metro’s complaints process, but said this would be improved by allowing a complaint to be lodged even if security checks weren’t passed at the time the complaint was raised.

#### **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 considered Mr F’s comments but I haven’t been persuaded to alter my view. Metro did recognise Mr F was utilising a lot of his available credit and I think their checks were proportionate in circumstances where they weren’t offering Mr F a credit facility.

In the circumstances I’ve decided to uphold this complaint in part, for the reasons set out in my provisional decision.

### **Putting things right**

Metro Bank Plc should pay £100 in total to Mr F for the distress and inconvenience this matter has caused him.

So if Mr F has already received £50 from Metro in relation to this complaint, then Metro should pay him a further £50.

### **My final decision**

For the reasons I've outlined, I uphold this complaint in part and require Metro Bank Plc to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 24 February 2025.

Clare Burgess-Cade  
**Ombudsman**