

## **The complaint**

Mr U complains that TSB Bank Plc incorrectly reported an account debt on his credit file as unsatisfied, which prevented him from obtaining finance elsewhere.

## **What happened**

Mr U discovered an adverse entry on his credit reference which he said had affected his business and personal finance. He complained to TSB, who then called Mr U and sent a written response upholding his complaint.

TSB said Mr U's account was correctly defaulted on 3 December 2021 after he left it in an unarranged position and failed to pay any funds. TSB wrote off the overdrawn balance of £10.84, but said it failed to mark the account as satisfied which meant his credit file was incorrect. TSB apologised to Mr U and said his credit file had now been amended. TSB offered Mr U £150 compensation, which he declined, citing the damages he had suffered.

Mr U described his treatment by TSB as 'oppression' and said it had destroyed his name and business. He is on medication for high blood pressure caused by this situation and sent TSB a letter from his doctor about this. Mr U said he had paid £280 to a letting agent to find a property only to be rejected due to his credit file. But TSB said it wouldn't cover this as it wouldn't recommend paying up front for services with no guarantee of success.

TSB said if Mr U had incurred expenses due to its error, such as phone calls or transport costs it would consider reimbursement. Mr U said he hadn't kept receipts. He said he had been turned down for loans, a phone contract and a letting because of his bad credit score. Mr U said when he discovered the problems came from TSB, he went to the branch five times before seeing the manager who identified the issue, and he was offered compensation.

Mr U referred his complaint to our service. Our investigator recommended it be upheld. She said TSB had told us Mr U's credit file should show account defaulted in December 2021 with nil balance and partially settled, but this was confusing as it had previously told Mr U that his credit file had been amended. However, she said Mr U has confirmed he's now satisfied with the status of his credit file, and so TSB didn't need to take any action.

The investigator said Mr U's account was overdrawn from December 2020 to December 2021, but Mr U had said he was abroad and so may not have been aware. She said his letters show he was in the UK at least in September 2022 and August 2023. She said the inconvenience caused to Mr U meant the compensation should be increased to £250. Mr U wasn't satisfied with this outcome and requested an ombudsman review his complaint. He said his situation was unbearable and he wouldn't accept anything less than £5,700. Mr U said he had gone to the TSB branch to pay the £10.84 owed and closed the account and received a closing letter. He said a bank will never close an account when money is owed.

## **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 was sorry to learn that a small debt on Mr U's account led to a prolonged and difficult experience for him. Part of my role is to determine whether what took place was reasonable and whether TSB followed the banking process correctly.

In assessing whether TSB acted fairly, I've taken into account the relevant rules and guidelines along with good industry practice. There are general principles that say a bank should conduct its business with due skill, care and diligence and pay regard to the interests of its customers.

Mr U wants to know why TSB 'destroyed my name'. He said he had paid off the outstanding amount and closed the account. Unfortunately, Mr U has no evidence of this, and I have no reason to doubt TSB's records which show the debt was outstanding, and the account remained open until closed by TSB in December 2021, having written off the balance.

It's not clear to me why Mr U didn't react to the statements sent to him each month showing he was overdrawn and how much he would be charged. Or to the letters TSB sent to his address advising of arrears and that a default would be added to his credit file, or the Default Notice issued with a time limit to pay arrears. It is the customer's responsibility to update their address and personal details with their bank so that they can receive account information. Unfortunately, Mr U didn't update his address, didn't respond to the many communications he was sent or credit his account to bring it back to order.

From TSB's records I think that TSB correctly defaulted Mr U's account in December 2021, but (as it has said) failed to mark the account as satisfied. This means TSB made an error as when the account defaulted, it should not have showed that a balance was outstanding.

Mr U declined to provide a copy of his credit file at our invitation and so I can't be sure there weren't any other factors that affected his access to credit. But I'm pleased he is now content with the status of his credit file. If that situation changes then Mr U may wish to add a 'notice of correction' himself – there's helpful information about this on the following web page: [https://www.payplan.com/wp-content/uploads/2021/02/0038-21\\_How-to-notice-of-correction-factsheet.pdf](https://www.payplan.com/wp-content/uploads/2021/02/0038-21_How-to-notice-of-correction-factsheet.pdf)

When we make awards of compensation we are not looking to fine or punish a business but to find an award that fairly and reasonably compensates the consumer for the wrong that has been done. Although Mr U says TSB has cost him a lot of money, he hasn't provided anything to show losses relating to his credit file or any expenses he may have incurred in putting things right. I have therefore considered the general impact of TSB's error on Mr U.

TSB is correct to say that the default could have affected Mr U's likelihood of getting credit even when it showed the account as partially settled. A satisfied default doesn't guarantee there will be no negative impact on a consumer's credit file, but some lenders will still consider applicants with such defaults depending on the amount and age of the debt. I agree with the investigator that the amount and age of Mr U's debt meant it was likely that, with an account marked as satisfied, he was more likely to have been offered credit. Our service publishes guidelines about the fair and reasonable compensation in respect of the impact of an error on a consumer. In my view, the compensation of £250 recommended by the investigator is a fair reflection of the impact of this event on Mr U. It is also consistent with our guidelines for the circumstances of Mr U's complaint. The compensation of a minimum of £5,700 that Mr U is seeking is way beyond what we would award in his circumstances and is in the realm of what a court may consider. He may wish to take legal advice about this.

Our service investigates the merits of complaints on an individual basis and that is what I've done here. I think it's important to explain that my decision is final. I realise that Mr U will be disappointed by this outcome though I hope he appreciates the reasons why it had to be this way. By rejecting this decision all options remain open to Mr U, including legal action.

### **My final decision**

For the reasons I have given it is my final decision that the complaint is upheld. If this decision is accepted by Mr U I require TSB Bank Plc to pay Mr U £250 compensation for the distress and inconvenience it has caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 14 April 2025.

Andrew Fraser  
**Ombudsman**