

## **Complaint**

Mr M has complained about the overdraft charges TSB Bank plc ("TSB") applied to his account.

Mr M is being represented, by the ("representative"), in his complaint.

The representative has said the charges applied to Mr M's account were unfair as there was a failure to take account of his patterns of reliance on debt and hardcore borrowing. In the representative's view, there was no proper consideration of the longer-term impact of the borrowing on him.

## **Background**

TSB has said that its records show that Mr M had an overdraft on his account from at least January 2010. The limit has been at £2,00.00 since February 2018.

In September 2023, Mr M complained saying that he was allowed to continue using the overdraft in a way that was unsustainable and which caused him continued financial difficulty.

TSB did not uphold Mr M's complaint. It did not think that it had done anything wrong or treated Mr M unfairly in the period he had his overdraft. Mr M was dissatisfied at TSB's response and referred his complaint to our service.

When Mr M's complaint was referred to our service, TSB told us that we couldn't consider parts of it as it was made too late. One of our investigators reviewed what Mr M and TSB had told us. He reached the conclusion that we could look at the entire period Mr M had his overdraft for but he wasn't persuaded that TSB had acted unfairly by allowing Mr M to use his overdraft in a way that was unsustainable or otherwise harmful.

This meant that the investigator didn't recommend that Mr M's complaint be upheld. The representative, on Mr M's behalf, disagreed with the investigator's conclusions and asked for an ombudsman's decision.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

### *Basis for my consideration of this complaint*

There are time limits for referring a complaint to the Financial Ombudsman Service. TSB has argued that part of Mr M's complaint was made too late because he complained more than six years after some of the charges on the overdraft were applied, as well as more than three years after he ought reasonably to have been aware of his cause to make this complaint.

Our investigator explained why Mr M's complaint was one alleging that the lending relationship between him and TSB was unfair to him as described in s140A of the Consumer Credit Act 1974 ("CCA"). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I've decided not to uphold Mr M's complaint. Given the reasons for this, I'm satisfied that whether Mr M's complaint about some of the specific charges applied was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Mr M's complaint should be considered more broadly than just the individual charges or lending decisions. I consider this to be the case as Mr M has not only complained about the circumstances behind the application of the individual charges, but also the fact TSB's failure to act during the periods he alleges it ought to have seen he was experiencing difficulty caused ongoing hardship.

I'm therefore satisfied that Mr M's complaint is a complaint alleging that the lending relationship between himself and TSB was unfair to him. I acknowledge the possibility that TSB may still disagree that we are able to look at the whole of Mr M's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Mr M's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mr M's complaint can be reasonably interpreted as being about that his lending relationship with TSB was unfair to his, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (TSB) and the debtor (Mr M), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Mr M's complaint, I therefore need to think about whether TSB's allowing Mr M to use his overdraft in the way that it did, resulted in the lending relationship between Mr M and TSB being unfair to Mr M, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove any such unfairness.

Mr M's relationship with TSB is therefore likely to be unfair if TSB allowed Mr M to continue using his overdraft in circumstances where it ought reasonably to have realised that the facility had become unsustainable or otherwise harmful for him. And if this was the case, TSB didn't then remove the unfairness this created somehow.

*Did TSB unfairly allow Mr M to continue using his overdraft in a way that was unsustainable or otherwise harmful for him?*

Before I go any further, as this essentially boils down to a complaint that Mr M was unfairly charged as a result of being allowed to continue using his overdraft, I want to be clear in saying that I haven't considered whether the various amounts TSB charged were fair and reasonable, or proportionate in comparison to the costs of the service provided. Ultimately, how much a bank charges for its services is a commercial decision. And it isn't something for me to get involved with.

That said, while I'm not looking at TSB's charging structure per se, it won't have acted fairly and reasonably towards Mr M if it applied this interest, fees and charges to Mr M's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mr M was experiencing financial difficulty. So I've considered whether there was an instance, or there were instances, where TSB didn't treat Mr M fairly and reasonably.

In other words, I've considered whether there were periods where TSB continued charging Mr M even though it ought to have instead stepped in and taken corrective measures on the overdraft as it knew, or it ought to have realised, that he was in financial difficulty.

Having looked through Mr M's account statements throughout the period concerned, I can't see that TSB ought reasonably to have realised that Mr M was experiencing financial difficulty to the extent that it would have been fair and reasonable for it to have unilaterally taken corrective measures in relation to Mr M's overdraft. I'll explain why I think this is the case in a little more detail.

I accept that Mr M used his overdraft regularly. The representative's arguments appear to suggest that this in itself means that Mr M was experiencing financial difficulty and therefore the complaint should be upheld. But I think that it is far too simplistic to say that it automatically follows that a customer was in financial difficulty simply because they were using a financial product that they were entitled to use.

I accept that the rules, guidance and industry codes of practice all suggest that prolonged and repeated overdraft usage can sometimes be an indication of financial difficulty. However, this is not the same as saying that prolonged and repeated overdraft usage by a customer will always mean that they are, as a matter of fact, in financial difficulty.

So I think it's important to look at overall circumstances of a customer's overdraft usage as part of considering their overall financial position. And, in this case, I've considered Mr M's incomings and outgoings as well as any overdrawn balances and thought about whether it was possible for him to have stopped using his overdraft, based on this.

I think that if Mr M was locked into paying charges in circumstances where there was no reasonable prospect of him exiting his overdraft then his facility would have been unsustainable for him. So I've carefully considered whether this was the case. The first thing for me to say is that Mr M was in receipt of credits that were sufficient to clear the overdraft within a reasonable period of time.

Furthermore, I'm satisfied that Mr M's case isn't one where the borrower had no prospect of returning to a credit balance. Although I do accept that there were many occasions where Mr M would have met the criteria of someone who displayed a pattern of repeat use of their overdraft. For the avoidance of doubt, I accept that there is a section of CONC (CONC 5D) which relates to this.

However, even if TSB didn't meet all of the requirements set out in CONC 5D, I wish to make it clear that I don't think that simply sending letters will mean that a lender met all of its obligations, I'd still need to consider whether Mr M lost out as a result of any potential failing.

I've also therefore considered whether Mr M's use of his overdraft (and TSB continuing to allow him to use it) was causing him to incur high cumulative charges that were harmful to him. And having considered matters, I'm satisfied that this isn't the case.

To explain, while I'm not seeking to make retrospective value judgements over Mr M expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from Mr M's account. So I'm satisfied that Mr M could have reduced his spending if he felt the overdraft charges were excessive and he wanted to exit the facility. Mr M might have found it inconvenient to reign in his spending, but that doesn't in itself mean that he couldn't have done so.

Given the representative's reference to decisions from our database and its reference to CONC 5D, I also wish to make it clear that it isn't simply the case that a customer should never be allowed to make discretionary payments from an overdraft. Indeed, its argument appears to be suggesting that a corrective action should be taken against a customer every time they meet the criteria for being sent a letter, irrespective of the circumstances. However, the rules and guidance aren't as blunt a tool as this. The position is far more nuanced.

Furthermore, I also think that the repeat use letters Mr M is likely to have been sent by TSB means that he ought to have realised that how much he was paying for using his account in the way that he was. I therefore don't agree that Mr M was using his overdraft purely for essential spending, or because he had a reliance on credit to get by, as the representative says.

As I've already explained, Mr M's monthly income was always for TSB to reasonably conclude that he could have cleared his overdraft within a reasonable period of time had he wished to do so. Equally, I can't see that he was borrowing from unsustainable sources in order to meet these charges or that his borrowing was increasing exponentially.

I also say all of this while mindful that I've seen no indication that any of the potential signs of financial difficulty contained in the regulator's guidance on financial difficulty (set out in CONC 1.3) – such as Mr M failing to meet consecutive payments to credit, borrowing from payday or other high-cost lenders, or Mr M failing to meet his commitments out of his disposable income – were present in Mr M's circumstances at any time prior to his complaint.

For the sake of completeness, I would also make it clear that the decision of mine that the representative has referred to, does not state that sending letters, in accordance with the requirements, will never be sufficient for a lender to have acted fair and reasonably. What the final decision the representative has provided said was that given the circumstances of that particular case, where I found (on the facts of the case) the lender ought to have realised that the customer was experiencing difficulty, it was unfair to simply send letters and hope any difficulty would pass.

In this case, for the reasons I've explained there was no obvious difficulty which TSB was aware of, or ought to have been aware of, given the account activity. So I think sending letters was proportionate and in these circumstances, I don't think that it was unreasonable for TSB to have added the charges that it did. This is particularly bearing in mind the consequences of TSB taking corrective action, in the way that it would have done had it

acted in way that the representative is suggesting it should have, would have been disproportionate.

I say this because I don't think that it would have been proportionate for TSB to demand that Mr M immediately repay his overdraft, in circumstances where there was a realistic prospect of Mr M clearing what he owed in a reasonable period of time.

Therefore, I don't find that the relationship between Mr M and TSB was unfair to Mr M. I've not been persuaded that TSB created unfairness in its relationship with Mr M by allowing him to use his overdraft in the way that he did. Based on what I've seen, I don't find TSB treated Mr M unfairly in any other way either.

So overall and having considered everything, while I can understand Mr M's sentiments and appreciate why he is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 May 2025.

Jeshen Narayanan  
**Ombudsman**