

The complaint

Miss B complains that TSB Bank plc ('TSB') unfairly reported a default to her credit file over an unplanned overdraft of £38.80, when she'd not received correspondence about this. Miss B also complains that she wasn't told her account was closed.

Miss B wants the default removing from her credit file.

What happened

In June 2024 TSB followed a direct debit instruction on Miss B's cash account to pay a utility bill. This meant her account went into an unplanned overdraft of £83.80. A credit was paid into Miss B's account which reduced the unplanned overdraft to £38.80 but no further payments were made.

TSB sent letters to Miss B about the unplanned overdraft on 12 June 2024 and 2 July 2024, and on 13 August 2024 they sent a default notice saying that if Miss B didn't repay the unplanned overdraft within 30 days, they'd default her account.

Miss B's account was defaulted on 13 September 2024 due to no payment, and the debt was written off and marked on Miss B's credit file as settled on 30 September 2024.

Miss B complained to TSB that she'd not been aware of the overdrawn amount because, due to a neighbour dispute, she had gone to stay with her mother and hadn't received her post. This was in part because she was fearful for her safety and that of her newborn child. Miss B said in any event that not all of TSB's post had arrived, as she'd only found one letter when she returned.

TSB didn't agree to remove the default, saying it was too late for them to do so and they'd written off the amount due. However, they offered Miss B £50 to recognise that when she'd called, they'd understated how the default would affect her credit file.

Unhappy with this, Miss B referred her complaint to the Financial Ombudsman Service. She said she was applying for a mortgage and this matter was causing her a lot of upset and stress.

Our investigator didn't uphold Miss B's complaint. He thought TSB had acted in line with the relevant guidance when reporting the default, and that they'd not treated Miss B unfairly. He thought £50 was a fair offer for TSB's miscommunication.

My provisional decision

I recently sent the parties my provisional decision, saying:

"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."

I know this will disappoint Miss B, but having conducted my own review I don't intend to require TSB to do anything more than pay her the £50 they've offered. I'll explain why, and I'll consider any responses the parties would like to make before I issue any final decision.

Miss B held a cash account with TSB which meant she didn't have an overdraft facility. But that didn't mean TSB couldn't allow the account to go into an unauthorised overdraft. I say this because the terms and conditions of the cash account say:

"We won't usually make a payment if there isn't enough money in your account..."

"In the rare event that you accidentally borrow money from us, you won't be charged any interest or fees...If this happens, you must pay us back as soon as possible."

So it was Miss B's responsibility to ensure there was sufficient money in her account to meet her outgoings – or repay money into her account if she entered an unauthorised overdraft. I understand from Miss B's situation at the time that this was, understandably, not a priority.

I'd expect TSB to follow the rules and guidance for firms engaging with customers in default or arrears set out in the Consumer Credit Sourcebook ('CONC') in the Financial Conduct Authority's Handbook.

CONC 7.3.2(G) sets out that a firm should pay due regard to its obligations to treat its customers fairly, and CONC 7.3.4(R) says that a firm must treat customers in default or in arrears difficulties with forbearance and due consideration.

I'm also mindful of the Lending Standard Board's ('LSB') 'Standards of Lending Practice for Personal Customers' which firms can voluntarily commit to follow. To my knowledge TSB aren't registered with the LSB but I consider the LSB's Standards are a benchmark of good industry practice.

Relevant to this complaint is the LSB's expectation that "customers in financial difficulty, or in the early stages of the collections process, will receive appropriate support and fair treatment, across the different communication channels offered, in order to help them deal with their debts in the most suitable way." And that "firms should take into account the customer's circumstances and consider whether it would amount to a fair customer outcome to pursue, or to continue to pursue, the amount owed."

The Information Commissioner's Office ('ICO') also provides guidance to firms reporting defaults and arrears to the Credit Reference Agencies. The ICO says that typically a default should be reported when a debtor is three months in arrears, and normally by the time the debtor is six months in arrears.

I've noted TSB wrote to Miss B about her overdrawn account and sent her a default notice, but as she'd temporarily left her home she wasn't aware of these letters. I acknowledge Miss B says only one letter arrived – but I can see they were all addressed correctly, so I'm minded to say it's likely they were delivered. I wouldn't be inclined to hold TSB responsible for correspondence lost in the post.

In any event, I accept Miss B didn't see TSB's correspondence in time to take action before TSB defaulted her account. I acknowledge Miss B's concerns that this was unfair, given the small amount outstanding, the impact of the default and how quickly this had happened.

I'm minded to say I would only expect TSB to have acted differently towards Miss B if they'd been aware of her circumstances at the time. Miss B accepts she didn't inform TSB that she

was, in effect, 'moving out' for several months, nor did she provide an alternative address.

Miss B didn't tell TSB about the reasons for moving until after the default had been applied. I can understand Miss B's reasons for this, given her circumstances, but I'm inclined to say I could only fairly expect TSB to adapt how they contacted Miss B if they were aware of a need to do so.

In any event I've seen evidence from TSB's system notes that Miss B was sent an email about her overdrawn account on 26 July 2024, so I'm of the view that alternative communication channels were used in order to fairly notify Miss B of the issue on her account. I'm minded to say this was good industry practice.

TSB defaulted Miss B's account three months after she'd failed to repay the overdraft. TSB later wrote off the outstanding sum and marked this account as settled on Miss B's credit file. I'm inclined to say it was fair for TSB not to pursue Miss B for this debt, given the LSB's guidance. This was a small balance, and TSB had not been able to establish contact with Miss B at the time. I'm also inclined to say the timing of the default was fair, given the ICO's guidance.

I recognise Miss B feels the default is disproportionate but I'm not persuaded that I can reasonably require the removal of the default in these circumstances. I'm minded to say the purpose of credit reporting is to reflect how an account's been managed, and the default is a fair and accurate reflection of what's happened on Miss B's TSB account.

Given the unplanned overdraft and the default, and Miss B had an alternative bank account she could use, I'm not inclined to say it was unfair for TSB to close Miss B's account when they did. I'm minded to say the defaulting of the account was sufficient to notify Miss B that her account would be closed going forward.

TSB accepted they misadvised Miss B about the impact of the default on her credit file. I recognise this was very upsetting for Miss B who was shocked to see the default. As I'm minded to say the default was correctly applied, I propose any compensation should recognise Miss B's disappointment that she'd been misadvised, rather than the upset caused by the default itself. I intend to say that the £50 compensation TSB offered Miss B in these circumstances was fair to recognise this, and I'm going to propose that this is paid.

It may help Miss B to know that she can place a notice of correction on her credit file to explain TSB's default entry and give some context to it. Potential lenders will be able to see this information when reviewing Miss B's credit file. To do this Miss B would need to contact the three main credit reference agencies."

Responses to my provisional decision.

TSB had nothing further to add.

Miss B was very unhappy and said her circumstances hadn't been considered. She said this matter wasn't her fault, and the default would cause her hell for the next six years. Miss B said she was being treated like this was thousands of pounds. Miss B also said that TSB had agreed to consider removing the default and then changed their mind.

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 the responses of the parties and I'm not persuaded to depart from my provisional decision. I'm sorry to upset Miss B as I know she was hoping that this default would be removed, and I accept this has been a very difficult time for her.

I maintain that TSB have offered Miss B a fair resolution to her complaint and I'll require TSB to pay Miss B the £50 they proposed, unless they've already done so.

I've set out my reasoning in my provisional decision, which I adopt here. But in summary I think Miss B was adequately notified of the position with her account, given she'd not asked to be contacted in a different way, and as she didn't make payments her account was defaulted in line with the ICO's guidance.

I recognise this is a small sum, but the purpose of credit reporting is to give a clear picture of what's happened on an account and I think Miss B's credit file accurately and fairly shows she defaulted over a small outstanding sum. In these circumstances I wouldn't expect TSB to remove the default. Miss B can contact the credit reference agencies to give further context to the default, by placing a notice of correction on her credit file.

Putting things right

TSB Bank plc must pay Miss B £50 for her distress and inconvenience, unless they have already done so.

My final decision

For the reasons I've outlined my final decision is that TSB Bank plc must put things right as I've set out above, in accordance with the offer they made to Miss B in their final response letter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 16 July 2025.

Clare Burgess-Cade
Ombudsman