

The complaint

Mr M has complained about TSB's actions in relation to an overdraft facility he held with it.

Mr M says this matter has caused him significant distress and it has impacted his mental health.

What happened

Mr M has held a Student Account with TSB since September 2020. As part of an automatic system change, the account was converted to a Graduate Account in September 2023. This account carried an interest-free overdraft facility.

In April 2024, Mr M rang TSB because he had been given the impression - via his banking app - that he would be able to get a loan. An appointment was arranged and – during this meeting - Mr M advised TSB he was not a student. As a result, Mr M was no longer eligible for the Graduate Account, so it was switched to a Spend & Save Account (this being TSB's standard current account) at which point the overdraft became subject to interest and charges.

Mr M says he only proceeded to switch the account because he was given the impression, during the meeting in April 2024, that he would not be able to obtain a personal loan whilst he held a Graduate Account. During a subsequent meeting with TSB, Mr M discovered that he was not eligible for a personal loan. This left Mr M with an account with an overdraft which incurred interest and charges which, he says, caused him financial difficulties.

Since the account was converted to a Spend & Save Account Mr M made a further four applications between 27 May 2024 and 20 July 2024 to increase the overdraft limit. During the course of investigating the complaint TSB reviewed the account and found that – whilst it did not think it had made an error approving the lending in the first place - Mr M was struggling to maintain the overdraft. As a result, in its final response dated 23 July 2024, it said that it would remove the overdraft facility on 22 August 2024¹. Mr M says he did not receive this letter.

Mr M had a call with TSB on 5 August 2024 in which he went through a detailed income and expenditure assessment with TSB in order to get support for the overdraft. Mr M says he wasn't told on this call that his overdraft was due to be removed and, therefore, he couldn't take action ahead of the deadline.

Mr M says that he has been unable to access funds in the account. He also says he has been left short of funds to pay important bills, including for rent and medication. He has said this has had an impact on him as it caused him unnecessary distress and mental anxiety.

It is my understanding that in October 2024 a mutually acceptable payment plan was put in place whereby scheduled reductions to the overdraft of £40 per month - with the first

¹ TSB also agreed to refund all charges applied to the account since August 2023.

reduction starting on 1 November 2024 – would take place. It seems Mr M has some concerns about payments that have debited his account as part of this arrangement. However, any concerns about events which took place after TSB's final response letter – including problems with the payment plan - would need to be raised as a separate complaint with TSB in the first instance. Therefore, these matters will not be addressed within this decision.

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've reached the same outcome as our investigator and for broadly the same reasons. I know this will come as a disappointment to Mr M, but I'll explain why I think this is a fair outcome in the circumstances.

But, before I do, it is important to say that I'm aware I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

As our investigator noted, the crux of the complaint centres around the events of April 2024, when the account was switched from a Graduate Account to a Spend & Save Account, at which point his overdraft would begin incurring interest and charges.

Mr M says that, during a conversation with TSB, he was given the impression that he would be able to get a personal loan which would enable him to repay the overdraft and avoid incurring interest and charges. In the event, in a subsequent meeting, the loan application was declined. Mr M has said that his main income was Universal Credit, and as it is TSB's policy not to include this as income for the purposes of a lending application, it *should have been quite apparent to the first TSB colleague that [he] wouldn't be able to get a loan...*

In response to the complaint, TSB sought the agent's recollections of events in relation to this meeting. It said the agent *has confirmed she explained the types of accounts we offered and that [Mr M] would start to incur charges for the Overdraft. [Mr M was] happy to continue and signed the paperwork to agree to this.*

She's also confirmed [Mr M] explained [he had] just moved into a new place and were starting a new job. She confirmed that [TSB would] be able to use the income from [Mr M's] new job for a Personal Loan which [Mr M was] wanting to do as [TSB] currently can't accept the Universal Credit [Mr M] receives. She's said [Mr M] still wanted to have an appointment to discuss a Personal Loan which she made for [Mr M].

Mr M disputes this version of events. He says that he would not have said he was starting a new job as he was never likely to work due to health conditions since leaving the army.

This meeting was not recorded, so it is difficult to know exactly what was said. In the absence of definitive evidence, I must decide what is most likely to have happened. I don't

doubt or disbelieve Mr M left the meeting with a belief that he *may* be eligible for a personal loan. And it was this belief which led him to agree to switch his account to a Spend & Save Account.

But I find it unlikely – nor have I seen evidence to suggest - that Mr M was given any guarantee that a loan application would be successful. I think it would have been sufficiently clear that a loan application would be subject to some form of affordability assessment and, depending on an applicant's circumstances, may not be approved. I think Mr M would have been – or ought reasonably to have been – aware of this before making his decision.

But putting that to one side, I've thought about what would have likely happened had Mr M been advised, during his first conversation with TSB in April 2024, that he wouldn't be able to get a personal loan because his primary income was Universal Credit. Mr M says he would have kept his account the way it was and worked out a repayment plan to repay the overdraft. It seems access to an overdraft was important to Mr M – this is evidenced by applications to extend his overdraft facility in the months that followed. And, bearing in mind Mr M did not meet the eligibility criteria for a Graduate Account with an interest-free overdraft, should Mr M wish to retain an overdraft facility it seems to me he would always have had to switch to an account with one that was interest-bearing.

With that being the case, in my view and on balance, even if things had gone as Mr M says they should have, I think he would still have valued access to an overdraft facility and would have agreed to switch the account to retain it.

I now turn to the events of August 2024 when TSB decided, following a review of Mr M's account, to remove the overdraft facility.

First of all, it is important to be clear that the terms and conditions applicable to the Spend & Save Account say that TSB *can ask you to repay any money you borrow at any time*. And the terms and conditions applicable to all TSB's personal current accounts state TSB *can ask you to repay an overdraft at any time. This could be some or all of it, including any interest and charges. If we ask you to repay your overdraft or we reduce your limit, we'll usually let you know 30 days in advance*.

So, I'm satisfied TSB acted fairly and in accordance with the terms and conditions of the account when it decided to remove the facility. What's more, there's no requirement for TSB to give notice of any changes but in this case I can see that it wrote to Mr M – in its final response letter dated 23 July 2024 - to provide him with advance notice that his overdraft was due to be removed.

Mr M says he didn't receive this letter, and I have no reason to doubt or disbelieve him – so I accept he didn't receive notice his overdraft facility would be removed.

However, the letter is correctly addressed and, on balance, I'm satisfied it was sent by TSB. It is very unfortunate that Mr M didn't receive it. But I can't reasonably hold TSB responsible for problems with delivery after it had dispatched the letter, as those problems were beyond TSB's control.

Mr M had a lengthy telephone call with TSB on 5 August 2024 to discuss his options because he was struggling with interest and charges attached to the account. A detailed income and expenditure assessment took place following which it was agreed that interest and charges would be frozen for 90 days, pending interest of £51.94 would be waived and other accruing interest of £48.56 would also be waived. In addition, £30 worth of charges were refunded as a gesture of goodwill. The advisor also offered a referral to a debt charity for Mr M who said not to do so at this time, as his carer helped with his finances.

Mr M says the advisor didn't remind (or notify) him that the overdraft would soon be removed. He said, had the advisor done so, he would have had time to make necessary arrangements.

TSB has said that the advisor wouldn't ordinarily have been required to review the ongoing complaint in these circumstances and so wouldn't have known about the decision to remove the overdraft. It is fair to say the advisor didn't know about the decision to remove the overdraft facility in the next few weeks bearing in mind he'd already offered to freeze interest and charges for 90 days.

And bearing in mind the purpose of the call was to discuss forbearance options – I wouldn't necessarily expect an advisor to review an ongoing complaint. Instead, I would expect the advisor to take steps to understand the customer's circumstances and put in place appropriate measures to support the customer – which is what happened here. So, I don't think TSB acted unfairly by failing to remind (or notify) Mr M of the upcoming overdraft removal during this call, particularly bearing in mind it had cause to think it had already notified Mr M in its earlier letter.

The overdraft facility was removed from the account on 22 August 2024. As a result, from this date, Mr M was now using an unarranged overdraft. Mr M says he experienced difficulties paying important bills, as well as accessing funds paid into his account (which included benefits).

I have looked at the account statements covering the period after the overdraft facility was removed. I can see a Universal Credit payment entering the account on 28 August 2024, immediately followed by Direct Debit payments to what appears to be rent and energy bills. Further, I can see a PIP entering the account on 29 August 2024 and immediately being paid, via Faster Payment, to another account. So, I don't have evidence to suggest that important bills were going unpaid or that Mr M didn't have access to vital funds which were entering the account.

I've reviewed the contemporaneous call notes and I can see, shortly after the overdraft facility was removed, TSB advised Mr M that he would have to contact it to access benefit payments entering the account until such time as the payments could be redirected to another account. This ensures that Mr M maintained access to these vital funds, and they would not be swallowed up reducing the unarranged overdraft. This seems reasonable in the circumstances.

Mr M has raised concerns about being unable to access some funds available prior to the overdraft removal. Unless TSB were notified that the funds were benefit payments - it doesn't seem unreasonable for TSB to apply any funds present in the account to reduce the outstanding debt. And as our investigator noted, overdrafts are repayable on demand and if the account is overdrawn at the time it becomes repayable it wasn't Mr M's own money even if it was residual funds from previous credits.

As I've said, it is my understanding that a mutually acceptable payment plan began in November 2024. It seems things may have gone wrong with payments taken under this plan, at least as far as Mr M is concerned, in which case he would need to raise his concerns with TSB who have a chance to resolve matters in the first instance.

Throughout his communication with our service Mr M has been open and honest about his wider circumstances and the difficulties he is facing, which I imagine wasn't easy to do. I would like to thank him for this. Whilst I don't doubt his strength of feeling in this matter, having carefully thought about everything that has happened, I don't think TSB has acted

unfairly here. With that being the case, I won't be recommending it do anything further to resolve the complaint.

My final decision

For the reasons I've explained, I don't uphold 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 31 July 2025.

Ross Phillips
Ombudsman