

The complaint

Mr J complains that The Royal Bank of Scotland Plc (RBS), unfairly removed his overdraft and referred his account to a debt collection agency (DCA) to manage on their behalf.

What happened

Mr J holds a bank account with RBS. The account had an overdraft facility on it with an overdraft limit of £9,000, which had been in place since 2018.

In early January 2025, Mr J's account balance went over the overdraft limit. So RBS wrote to him, to explain that he had gone beyond his limit, and that to put things right, he would need to pay £354.79 into his account.

A few weeks passed, but come the end of January, Mr J's account balance was still in excess of his overdraft limit. So, RBS wrote to him again, and again requested that he pay £354.79 - but no payment was received.

Over the next few months, RBS wrote to Mr J on several occasions, requesting a payment towards his account – with the amount required increasing – as Mr J went further over his overdraft limit. The letters also encouraged Mr J to get in touch to agree a repayment arrangement if he was unable to pay the amount required. But RBS received neither the payment due, or any contact from Mr J to put a repayment arrangement in place.

So, on 4 April 2025, RBS wrote to Mr J again, this time with a formal “*demand for repayment*” letter. This letter explained that RBS intended to remove Mr J's overdraft, and that in order to prevent this, Mr J would either need to pay off his whole overdraft balance – which at the time had an outstanding balance of £9,630.62 – or, get in touch, to agree an acceptable repayment plan, either of which needed to happen by 8 May 2025.

RBS received no further contact from Mr J. But in the late hours of 7 May 2025, Mr J made a payment of £640 to bring his overdraft back within its limit. However, following receipt of this payment, RBS suspended the use of Mr J's account, and referred his outstanding debt to a DCA to manage moving forward. Unhappy with this, Mr J complained.

RBS responded. They said their demand for repayment letter, explained that Mr J needed to either pay the full overdraft balance, or contact them to arrange an ongoing repayment plan. And it explained that if Mr J failed to do so, a list of actions may be taken, which included instructing a third-party to collect the outstanding debt on their behalf. So they were satisfied they had handled matters fairly.

Unhappy with RBS's response, Mr J brought his complaint to our service to consider.

An investigator considered Mr J's complaint but didn't recommend it be upheld. He said that he had reached broadly the same conclusions that RBS had. That being that Mr J had not met the terms of the formal “*demand for repayment*” letter. And, given that he hadn't, it wasn't unreasonable for RBS to prevent further use of his account, and to request that a third-party collect the outstanding balance owed on their behalf.

But Mr J remained unhappy. So, as the parties are still in disagreement, the case has been passed to me, an Ombudsman, to decide.

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, and while I accept this may be disappointing for Mr J, I've reached the same conclusions as the investigator, and for broadly the same reasons.

When Mr J initially exceeded his overdraft limit in January, RBS wrote to him explaining how much he needed to pay to bring his account back within its limit. This was followed up with a similar letter just over three weeks later.

Around two and a half weeks after the second letter was sent, a third letter was sent to Mr J by RBS, explaining that he now had to pay an increased amount, as he had gone further over his overdraft limit. And if he couldn't do this, that he should get in touch to reach a repayment arrangement - but neither of these things happened.

Following the first three letters being sent, with no payment being made and no arrangement being reached, a fourth letter was sent to Mr J in the middle of March. This letter explained that Mr J needed to get in touch '*urgently*', and either make a payment of £630.62, or discuss an ongoing repayment arrangement, while there was still time for RBS to help him. The letter went on to explain that if Mr J did nothing, his account would keep gathering fees, and that he may lose any overdraft facility he has and may no longer be able to use his account. Yet despite this letter being sent, no further contact was made by Mr J, and no repayment arrangement was agreed.

Having now sent four letters to Mr J, and having made several unsuccessful phone call attempts, with no response, on 4 April 2025, RBS issued Mr J with a formal "*demand for repayment letter*". This letter explained that Mr J was now required to repay his overdraft, which had an outstanding balance of £9,630.62, or, agree an acceptable repayment arrangement by 8 May 2025. It said that if Mr J did neither of these things, that RBS would remove his overdraft limit, and, amongst other things, may instruct a third-party to recover the outstanding amount due.

I appreciate that in the late hours of 7 May 2025, Mr J made a payment of £640 to bring his overdraft balance back within its limit. However, the time Mr J had available to do this had since expired; and the previous letter dated 4 April 2025, no longer gave Mr J the option of bringing his overdraft back within its limit, and instead, formally required Mr J to pay off his full overdraft balance of £9,630.62, or contact RBS to make an arrangement to pay.

So, while I appreciate this will likely come as a disappointment to Mr J, I'm satisfied Mr J was given numerous opportunities to bring his overdraft back within its limit; or to contact RBS to make an arrangement to pay, yet he did neither. So, I don't think it was unreasonable for RBS, in April 2025, to issue the formal demand for repayment of the full balance. And, when Mr J then did not make that payment by the required due date, and didn't contact RBS to come to an arrangement to repay the outstanding balance owed, I don't think it was unreasonable for them to remove his overdraft limit, and to instruct a third-party to recover any outstanding amounts owed on their behalf.

So, for the above reasons, I won't be asking RBS to do anything further in the circumstances.

My final decision

My final decision is that I do not uphold Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 23 October 2025.

Brad McIlquham
Ombudsman