

## Complaint

Mr S has complained about the overdraft charges TSB Bank plc (“TSB”) applied to his account. He’s said that he shouldn’t have been provided with his overdraft and the charges caused difficulty.

## Background

Mr S has also separately complained a personal loan that TSB provided to him. However, we’ve explained that we’re looking at that complaint separately and this decision is solely considering matters relating to Mr S’ overdraft.

Mr S was initially provided with an overdraft with a limit of £800 in October 2017. Mr S’ limit was increased on a number of occasions until it reached £3,000.00 in January 2024. In May 2024, Mr S complained saying that he was allowed to continue using the overdraft even though he was getting further and further into debt.

TSB partially upheld Mr S’ complaint as it agreed that it shouldn’t have allowed Mr S to continue using his overdraft from June 2021. It refunded all of the interest fees and charges Mr S paid from June 2021 onwards. Mr S remained dissatisfied at TSB’s response and referred his complaint to our service.

One of our investigators reviewed what Mr S and TSB had told us. He thought that what TSB had already agreed to do was fair and reasonable in all the circumstances and therefore didn’t uphold Mr S’ complaint.

Mr S disagreed with the investigator 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.

Having carefully considered everything, I’m satisfied that what TSB has already done to put things right for Mr S is fair and reasonable in all the circumstances of the complaint. I’m therefore not requiring it to do anything more or anything further.

*TSB’s decision to provide Mr S with overdraft limits of up to £1,200.00*

We’ve set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I’ve referred to this when considering Mr S’ complaint.

TSB needed to make sure that it didn’t lend irresponsibly. In practice, what this means is TSB needed to carry out proportionate checks to be able to understand whether Mr S would be able to repay what she was being lent before providing any credit to him.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

TSB says that it will have obtained some information on Mr S' income and his expenditure before deciding to lend to him. It says that this will have been cross-referenced against information it obtained on the funds going into Mr S' main account and his existing credit commitments which it obtained from credit reference agencies.

Mr S' overdraft was an open-ended (running account) agreement (in other words, while TSB was required to periodically review the facility, there was no fixed end date) where there was an expectation that he'd repay what he borrowed plus the interest due within a reasonable period of time. CONC didn't (and still doesn't) set out what a reasonable period of time was.

So I think it's important to note that a reasonable period of time will always be dependent on the circumstances of the individual case. Nonetheless, I don't think that it's unfair to say that overdraft limits of up to £1,200.00 won't have required especially large credits in order to clear the full amount that could have been owed within a reasonable period of time.

I understand that TSB carried out credit searches which didn't suggest that Mr S had any significant adverse information - such as defaulted accounts or county court judgments - recorded against him at these times. Furthermore, TSB has been able to provide us with copies of Mr S' current account statements.

Having reviewed these current account statements, taking into account the total amount of funds Mr S was receiving as well as his regular non-discretionary living costs, I can't see any obvious reason why Mr S shouldn't have been granted this overdraft or the limit increases up to £1,200.00.

I note that Mr S has referred to his health issues. I'm sorry to hear about what Mr S has told us. However, Mr S has said that his diagnosis wasn't made until after he made his complaint. As this is the case, it's clear that TSB wasn't made aware of this.

Equally, while Mr S may disagree, I can't see anything in his transactions up until the time of the January 2021 increase that ought to have alerted TSB that he may have been unwell either. So while I sympathise with what Mr S has told us and the effect that this has had on his finances, I'm not persuaded that TSB was able to take this into account when determining whether to lend to him.

As this is the case, I'm satisfied that it wasn't unfair for TSB to offer Mr S an overdraft with limits of up to £1,200.00 in the period up to January 2021.

*Did TSB unfairly allow Mr S to continue using his overdraft in a way that was unsustainable or otherwise harmful for him prior to January 2021?*

Before I go any further, as this essentially boils down to a complaint that Mr S 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 S if it applied this interest, fees and charges to Mr S' account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mr S was experiencing financial difficulty. So I've considered whether there was an instance, or there were instances, where TSB didn't treat Mr S fairly and reasonably.

In other words, I've considered whether there were periods prior to June 2021 where TSB continued charging Mr S 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 S' account statements throughout the period up to June 2021, I don't think that it is clear cut that TSB ought reasonably to have realised that Mr S 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 S' overdraft. I'll explain why I think this is the case in a little more detail.

There is no dispute that Mr S used his overdraft regularly. Mr S' arguments appear to suggest that this in itself means that he 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 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 S 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 prior to June 2021, Mr S was in receipt of a salary that exceeded his overdraft limit and so was clearly in a position to clear the overdraft (of £1,200.00 which was the limit at this time) within a reasonable period of time. Therefore, I'm satisfied that Mr S' case isn't one where the borrower was in an overdraft with no hope of being able to exit it. Indeed, Mr S had a credit balance for at least part of every month prior to June 2021.

I've also considered whether Mr S' use of his overdraft (and TSB continuing to allow him to use it), prior to June 2021, was causing him to incur high cumulative charges that were harmful to him. Having considered matters, I'm satisfied that this isn't the case in this instance. I'll now proceed to explain why.

To start with, while I'm not seeking to make retrospective value judgements over Mr S expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from Mr S' account. I do accept that Mr S had other credit

commitments. That said, there isn't a prohibition on providing a customer with an overdraft in such circumstances.

I accept none of these things in themselves (or when taken together) mean that Mr S wasn't experiencing difficulty. But I don't agree that it is incontrovertible that Mr S was unavoidably reliant on credit, or his overdraft, prior to June 2021. The funds he received left him in a position where he was able to make any essential commitments without using his overdraft. However, he chose to use his overdraft to make discretionary transactions.

Of course, I accept neither of these things in themselves (or when taken together) mean that Mr S wasn't experiencing difficulty. But I don't think that Mr S' account conduct and overdraft usage obviously show that he was. And bearing in mind I'm satisfied that it is more likely than not that Mr S did not directly tell TSB that he was experiencing financial difficulty, that's what I'd need to be persuaded of in order to uphold his complaint.

Looking from the outside prior to June 2021, it looks like Mr S had the funds to be able to reduce the amount that he used his overdraft. However, he was choosing not to do so. In these circumstances, TSB was reasonably entitled to conclude that Mr S was choosing to use his overdraft rather than it being the case that he had become reliant on it.

Therefore, I don't think that Mr S was obviously locked into using his overdraft and paying the charges for doing so. In my view, there was a reasonable prospect of Mr S exiting his overdraft. And prior to June 2021, TSB was reasonably entitled to believe that Mr S was choosing to use his overdraft in the way that he was, rather than it being the case that his financial circumstances meant that he had no choice other than to do so. It is clear the position altered in June 2021 and that is why TSB has offered a partial solution. I don't think that this is unreasonable in this instance.

I don't think that it would have been proportionate for TSB to have demanded that Mr S immediately repay his overdraft, prior to June 2021, in circumstances where there was a realistic prospect of him clearing what he owed in a reasonable period of time. Indeed, I think that if TSB had suggested that it would take corrective action prior to June 2021, Mr S wouldn't have had the benefit of the hindsight of knowing that he'd end up in the financial crisis he's described having in 2024.

So I think that prior to June 2021, it is likely Mr S would have argued that it would have been unfair for TSB to take action, bearing in mind the consequences of such action being taken, in circumstances where he was using the overdraft in line with the terms and conditions and appeared to be able to afford to use it in the way he was.

As this is the case, I don't think that it was unreasonable for TSB to have proceeded adding the charges that it did and hasn't refunded.

In reaching my conclusions, I've also considered whether the lending relationship between TSB and Mr S might have been unfair to Mr S under section 140A of the Consumer Credit Act 1974 ("CCA").

However, I'm satisfied that what TSB has already agreed to do to put things right for Mrs S' overdraft complaint as a whole, is fair and reasonable in all the circumstances of this case and I'm not requiring it to do anything further. I'm also not persuaded that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome in respect of this.

Overall and having considered everything, while I can understand Mr S' sentiments and appreciate why he is unhappy, I'm nonetheless not upholding this complaint. I appreciate

this will be very disappointing for Mr S. 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 satisfied that what TSB Bank plc has already done to put things right for Mr S is fair and reasonable in all the circumstances of his complaint. I'm therefore not requiring it to do anything more and I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 2 March 2026.

Jeshen Narayanan  
**Ombudsman**