

complaint

Mr S complains that TSB Bank Plc defaulted his account after it agreed a formal repayment plan. He wants TSB to agree repayment of the balance and remove the default.

background

Mr S switched current account but his new bank wouldn't honour his existing overdraft. TSB asked Mr S to repay the balance on his overdraft. Mr S made a lump sum payment of about £1,500. He then agreed to repay the balance by monthly payments.

Mr S repaid most of the balance before his account was defaulted. Mr S says TSB agreed an interest-free formal repayment plan for the entire balance. TSB says it shouldn't have agreed an interest-free plan but that in any event, the maximum it would've offered was six months.

Mr S says TSB agreed the plan as it made a mistake when it recommended that he switch accounts.

Our adjudicator didn't conclude that Mr S's complaint should be upheld. She said Mr S had the benefit of interest-free repayments that put him in a better position than he would've been otherwise. She felt that Mr S had many months to repay the balance in full and that members of staff repeatedly told him the bank was going to record a default.

Mr S says TSB kept telling him different things. He says that if he'd known the plan would only last for six months, he would've increased the monthly repayments to pay the balance. Mr S also says he didn't receive TSB's final letter of demand as it was sent to the wrong address. Mr S says if he'd received the letter, he would've borrowed money to repay the balance.

my provisional findings

After considering all the evidence, I issued a provisional decision to Mr S and TSB. Subject to any further representations by Mr S or TSB, my provisional decision was that the complaint should be upheld.

I was persuaded that TSB gave Mr S conflicting and confusing information about his repayments. For example, I listened to one of the calls with the bank in February 2015. Mr S called the bank as he had received a letter about the debt. The call handler tells Mr S to ignore the letter and says he can carry on making his repayments. Mr S asks him whether it's under a formal plan – the call handler agrees that it is.

I appreciated that Mr S had other calls with the bank. Various members of staff told him that his account could default at any time and that TSB couldn't agree another formal plan. But during one of the calls a member of staff says the bank will call or write to Mr S before the default is applied. The member of staff confirms that Mr S will receive a letter.

I found it reasonable that Mr S expected to receive a final letter of demand before his account was defaulted. The bank wrote to Mr S on 31 March 2015 using an old address. It wasn't clear why TSB changed the address it held on file. But I was satisfied that Mr S never received the final letter of demand. If he had, I was persuaded that Mr S would've found a way to repay the balance.

At the time that TSB recorded the default against Mr S's account, he was about to pay £120. After this payment, Mr S would've only needed to pay about a further £150. Given his repayment history to that point, I considered it likely Mr S would've cleared the remaining balance and avoided the default.

Taking everything in to account, I found it fair to require TSB to agree repayment of the balance in not more than two instalments. And once the balance was repaid, the bank should remove the default entirely from all credit reference agency files.

TSB already apologised for any conflicting information Mr S received about the repayment plan and paid him £25. I was provisionally minded to require TSB to pay a further £75 for Mr S's trouble and upset. I said this because if TSB had sent the final demand to the correct address, it's likely that Mr S wouldn't have had to spend time getting TSB to remove the default.

Mr S was unhappy that TSB has sent letters to the wrong address. He wanted the bank to compensate him for this. I was satisfied that Mr S received at least some post, including the original notice of default in September 2014. I agreed that Mr S didn't receive the final letter of demand sent by the bank in March 2015. As I reflected this mistake in the award of compensation and the removal of the default, I didn't find it fair to ask the bank to pay more. But I wanted TSB to make sure its records were correct so that no other mail went astray.

my findings

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

TSB disagrees with my provisional findings. In summary it says that when Mr S switched accounts, he didn't have enough money to clear the remaining balance. TSB says it told Mr S that it wasn't able to agree a repayment plan without affecting his credit file. It points out that it gave Mr S more than 11 months to clear the debt before the bank passed it to recoveries.

TSB says that the debt and default arose because Mr S decided to transfer his account away from TSB. TSB isn't willing to pay any further compensation to Mr S as it has already paid compensation in respect of related complaints.

I appreciate the bank's point of view but I still find that TSB gave Mr S some contradictory information about his repayment plan. And the bank told Mr S that it would write to him before it registered the default. Mr S says if he'd received that letter he would've borrowed money from his family. I might be less inclined to think this was the case if it weren't for the fact Mr S had repaid most of the debt by this time.

Mr S also told this service that he only moved his account to the other bank because TSB told him to do this. Mr S says TSB told him that if he wanted to keep his staff preferential rate, he'd need to transfer his account to the other bank.

Taking everything in to consideration, I still find it fair to uphold Mr S's complaint. TSB originally said it couldn't bring the debt back in house and that Mr S should contact the debt collection business. But it's just explained that it hasn't sold the debt and that a debt collector is working on its' behalf. If TSB can't bring the debt back in-house then it should instruct the

debt collection company to accept repayment of the balance by no more than two instalments.

TSB has helpfully confirmed the remaining balance stands at £236.41. Once the debt has been repaid, TSB should remove the default from Mr S's credit file. Clearly it will be in Mr S's best interests to repay the remaining balance as quickly as possible.

my final decision

My decision is that I uphold this complaint and direct TSB Bank Plc to do the following in full and final settlement:

1. Instruct the third party debt collection company to agree repayment of the remaining balance of £236.41 by no more than two instalments;
2. Remove the default entered against Mr S once the balance is cleared; and
3. Pay Mr S £75 in addition to the £25 already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 February 2016.

Gemma Bowen
ombudsman