

Complaint

Mrs H has complained about the changes that Bank of Scotland plc ("BOS") made to its overdraft pricing structure and further changes it wishes to make to her overdraft facility going forwards.

Background

In the summer of 2017, BOS announced it would be changing its overdraft pricing structure in November 2017. It was moving from a pricing model which charged a fixed fee per day for borrowing within a certain limit to one where it would charge 1p a day for every £7 borrowed.

Mrs H complained to BOS after these changes were implemented, as she was unhappy her overdraft was costing her more to use. BOS didn't uphold Mrs H's complaint. It said it was entitled to change its pricing structure and while this meant some customers might end up paying more, it had transitional arrangements in place to mitigate this and as a result of this refunded all the charges Mrs H paid in the six months after the change was introduced. It also told Mrs H that as she was using a personal overdraft facility for commercial purposes, she needed to get in contact to arrange a more appropriate product. Mrs H remained dissatisfied and referred her complaint to our service.

One of our adjudicators looked into Mrs H's concerns and eventually concluded that BOS hadn't done anything wrong or treated Mrs H unfairly. So she didn't recommend the complaint be upheld. Mrs H disagreed and so the complaint was passed to an ombudsman for a final 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 provided, I've decided not to uphold Mrs H's complaint. I'll explain why I've done so in a little more detail.

Before I go any further, I want to be clear in saying that a bank's decision to alter its overdraft pricing structure and the associated rates it sets are commercial decisions. So while Mrs H is unhappy at the increase in BOS' overdraft interest rate, I'm afraid that this isn't something for me to get involved with.

That said, while I'm not looking at BOS' charging structure changes per se, it won't have acted fairly and reasonably towards Mrs H if it implemented these changes unfairly. So I've considered whether BOS treated Mrs H fairly and reasonably when it implemented these changes on her overdraft.

I don't think that BOS did treat Mrs H unfairly here though. I say this because it refunded some of the fees on Mrs H account and suspended them for a period going forward. This was to provide Mrs H with the breathing space to make alternative arrangements better suited to her commercial borrowing needs. So, in this case, I think that BOS took reasonable steps to mitigate the risk of Mrs H becoming an 'overdraft prisoner' – in other words, it took reasonable steps to try and make sure she wasn't locked into accepting the increased charges due to having an existing balance she was unable to clear or make inroads into.

I know that Mrs H is unhappy BOS isn't prepared to continue offering her an overdraft on the same terms as it did previously. But I don't agree with Mrs H when she says she was provided with a facility to use in perpetuity. Even though BOS may not have chosen to make any changes until November 2017, it always retained the right to amend or revoke Mrs H's facility provided it gave the appropriate notice. I'm satisfied that it did this here. And even then a bank is under an obligation to monitor a customer's repayment record and act should an overdraft appear to be being used unsustainably.

I've noted Mrs H's concern about the difficulty she's had arranging a meeting to discuss matters with BOS given the current situation. And while she's concerned that she may not be able to get matters resolved once this decision is issued, she may be entitled to complain to BOS about this should it fail to agree an alternative more suited to her commercial borrowing needs with her.

Overall bearing in mind all of the circumstances, I don't think that BOS did anything wrong when changing its overdraft pricing structure and I don't think that it treated Mrs H unfairly when implementing the changes on her overdraft either. So it follows that I'm not upholding this complaint.

My final decision

For the reasons I've explained, I'm not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 16 May 2021.

Jeshen Narayanan
Ombudsman