

## **complaint**

Miss D complains that TSB Bank Plc (TSB) mis-sold her a personal loan to consolidate her existing debts, and has incorrectly defined her bank account as being a staff account.

## **background**

Miss D has been a customer of TSB for some years. Around the start of 2015, TSB contacted Miss D to discuss her debt, in light of a credit card balance she had with the bank which was not reducing. The bank discussed with Miss D her other debts, including a car loan, credit card and store card, and the total monthly repayments that she was making.

The bank carried out an assessment of her income and expenditure and offered her a personal loan to consolidate her debts. This loan was offered at an APR of 29.9%.

This rate was higher than the rate in force for some of Miss D's existing debts, and lower than the interest rate applicable to other of her debts.

Miss D took out the loan in January 2015 and settled her other accounts, including her TSB credit card. At the same time the bank destroyed her credit card and placed a flag on her account.

The credit card account was left open, however, and in June 2015 Miss D requested a new card, on which she incurred a balance.

Miss D's circumstances changed in May 2016, resulting in her finding the monthly payments difficult to satisfy. She contacted TSB and TSB agreed to accept lower payments.

A short time later, Miss D realised that her reduced payments did not cover the interest on the loan and the balance on her account had increased. She therefore decided to return to her original payment schedule. TSB facilitated this change and refunded the additional interest she had incurred during this period.

Miss D then complained to TSB about the loan interest rate and set out that she felt that this loan had not been to her benefit, due to the high interest rate and the fact that over the period of the loan she would repay almost double the capital borrowed.

Over the course of her communications with the bank, some members of staff incorrectly referred to Miss D's account as being a staff account, rather than a customer account.

The bank sent Miss D a final response to her complaint in June 2016.

Miss D has continued making repayments on the loan and reiterated her complaint to the bank in late 2016. The Bank reissued its final response letter in November 2016.

Miss D then approached the ombudsman service.

One of our adjudicators has considered Miss D's complaint and reached a view that the loan was not mis-sold, as the rate and terms of the loan were made clear to Miss D, and there was a benefit to Miss D from the loan.

The adjudicator felt, however, that since the purpose of the loan was to consolidate her debts, the bank was wrong to keep Miss D's credit card account open, as this meant that Miss D could later request a replacement card and incur further debt on that card.

On that basis the bank offered £150 compensation to reflect this failing, and to acknowledge the distress and inconvenience caused to Miss D.

Miss D does not accept the offer and asked for an ombudsman to review the complaint.

### **my findings**

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

I understand that Miss D's main concern is that the interest rate on her loan is high, relative to other products now available. I must, however, consider the situation at the time Miss D took on the loan.

Miss D also states that she felt targeted by the bank contacting her, and that she suffered from anxiety and felt pressured into taking on the loan.

I have reviewed the circumstances of the sale of the loan, and the notes made by the bank at the time. These do not include any reference to Miss D's health and make clear that the purpose of the loan, as discussed between Miss D and the bank staff, was to consolidate her debts.

The bank has provided the loan agreement and its assessment of the affordability of the loan. That assessment demonstrates that Miss D was, on her then circumstances, able to meet the loan repayments.

The interest rate, loan term and the total amount repayable were all clearly set out on the loan agreement, and this was signed by Miss D.

The bank's notes also indicate that the term of the loan was discussed with Miss D and the 60 month term was selected to keep Miss D's monthly repayments to a minimum, and to enable her to make additional payments where possible.

As a result, I consider that Miss D was able to make an informed decision about taking on the loan at that time, and decided it was of benefit to her. On the basis that Miss D did in fact benefit from the loan being in place, by being subject to lower monthly repayments, and by having greater flexibility to make additional payments, I do not consider that Miss D was mis-sold the loan.

In respect of Miss D's concern that her account had been wrongly identified as a staff account, the evidence provided by the bank makes clear that Miss D's account is now properly identified as a customer account. There is no evidence that it has previously been wrongly identified within the bank's systems, or of any adverse effect on Miss D. I do not consider therefore consider this to be a significant failing.

I do, however, agree with the adjudicator, that the purpose of the loan was to consolidate Miss D's debts, and that the bank not cancelling the credit card in January 2015 undermined this purpose.

The contemporaneous notes make clear that Miss D's credit card was destroyed at the time of the loan being taken on, and a strict flag (to prevent further automatic lending) was placed on her account for the next 12 months. I agree that these actions indicated a shared intention to avoid Miss D being able to accrue further debt. I therefore consider that the bank ought to have initiated the cancellation of the credit card account at that time.

In summary, I consider that the bank provided a poor service to Miss D in respect of not cancelling the credit card account, but not in respect of the other issues.

The bank has offered Miss D £150 compensation to reflect the interest she has paid on her credit card since June 2015, and to reflect the distress and inconvenience she has suffered as a result of this failing. I consider this is fair and reasonable.

### **my final decision**

As set out above, I uphold Miss D's complaint in respect of the bank's failure to cancel her credit card in January 2015. I therefore direct TSB Bank Plc to pay to Miss D £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 19 June 2017.

Laura Garvin-Smith  
**ombudsman**