

complaint

Mr S is unhappy that TSB Bank plc rejected his application for a basic current account. He complained that he didn't properly understand why this happened and about his overall treatment by the bank during the course of their dealings about this matter.

background

Mr S went to a branch of TSB on 15 August 2016 to apply for a student account. But he was told that he'd have to apply for a regular current account because of the nature of his student status; and that the application couldn't be processed that day as the bank would need to conduct enhanced due diligence due to Mr S's nationality.

Mr S left the branch agreeing to postpone the application process to a later date. But an application was actually processed that day and this resulted in an 'inconsistency' marker being applied with SIRA.

Mr S made an appointment to return to the branch on 21 September 2016 and says the manager copied the photo page of his passport, his biometric residence permit and his certificate of registration from a university. He says he voluntarily provided additional information on the source of his funds and an estimate of his future income and expenses. TSB denies seeing any of these documents.

A manager from the branch Mr S attended phoned Mr S on 26 September 2016 to say the application had been declined. Mr S says the manager made comments which suggested his nationality might have been a factor in the decision made about his application but this is denied. And TSB confirmed in a letter dated 6 December 2016 that the manager had used the wrong process.

Mr S was directed to apply for a basic bank account online. But the bank's process had changed following the implementation of the Payment Accounts Regulations 2015 so it paid Mr S £50 for its poor service and trouble caused. Mr S applied online for a basic bank account on 12 January 2017 but was again declined.

Mr S wrote to TSB to appeal the decision on 8 March 2017 but didn't provide any further documents as he says he thought he'd already provided relevant documents and income information. And TSB hadn't told him what, and if anything else, the bank now required.

His appeal was rejected but TSB said it would reassess his application if he could provide three months' bank statements, fully reflecting his current income and expenditure. Mr S wasn't able to do this as he didn't have a bank account and he was a student, being supported by his father and who paid some of his expenditure direct.

Mr S has now sent here several documents which he says were supplied to TSB. And TSB says that if it had seen these documents at the time of his appeal, then the outcome may well have been different. All the same, TSB hasn't offered Mr S a basic bank account.

Taking into account the Payment Account Regulations 2015, and what TSB had said about the rejection of the application, our adjudicator couldn't see that Mr S wasn't eligible to apply for a basic current account and, of course, the bank had advised him as to how to apply online in its letter of 6 December 2016. She therefore directed herself to consider why TSB might have been entitled to reject the application and what it had said about this.

TSB says it couldn't find an active trace on Mr S' credit file. It explains that an 'active trace' might be an open current account or account with a utility provider. As there was only a listing for a closed current account with Santander, TSB recorded 'inconsistency' with SIRA.

TSB had provided documentation setting out when 'inconsistency' might be recorded and the adjudicator accepted that this would include where there's a lack of credit history. SIRA is also happy that TSB can record 'inconsistency' against Mr S' name, as it's done. So she agreed that TSB wasn't wrong to record the 'inconsistency' marker.

However, SIRA says that an 'inconsistency' marker shouldn't automatically mean that an account application is declined; it's merely an indication that further information should be sought by a bank. So, she considered TSB might have asked for further information, when it was itself recording 'inconsistency'. But TSB said the decision to decline to offer Mr S a basic bank account was based on a false representation having been made.

While appreciating that TSB had reservations about Mr S, other than the 'inconsistency', TSB offered no specific information or reasoning as to what false representation was made. And TSB hadn't appeared to have reported anything to the police. There was no prosecution of Mr S nor a marker registered with CIFAS. Indeed, the adjudicator felt it was unclear as to anything that had been false about what Mr S had submitted to TSB.

So, the adjudicator didn't conclude that TSB had acted fairly and reasonably in declining his application for a bank account. She also didn't think TSB communicated properly with Mr S in respect of the appeal and what information Mr S might need to submit; that TSB hadn't dealt well with Mr S in branch; and that TSB could have done more to assist Mr S in making a successful application. The adjudicator recommended that TSB pay Mr S a further £150.

TSB didn't accept the recommendations of the adjudicator. It says it has no record of receiving the documentation that Mr S claims to have given to the branch staff. It says they'd have been scanned and uploaded to the customer's profile, and there are no copy documents there. It said that the bank hadn't reported any concerns about Mr S' application to the police or CIFAS as they accepted there wasn't enough evidence that he deliberately submitted an inaccurate application.

However, it felt it was reasonable to decline the application given the bank's misgivings about the information provided – the discrepancy between the address provided by Mr S on his application and a record of that address on his credit file – or a record anywhere of Mr S living at that address.

The adjudicator then stated that even if the application was declined based on the information available at the time, and Mr S didn't produce evidence to confirm that he lived at the address provided on the online application, it remains that evidence now exists to demonstrate that there was no 'inconsistency'. As Mr S still wants to bank with TSB, the adjudicator thought it fair and reasonable for TSB to consider a fresh application from Mr S in conjunction with the documentary evidence that the bank now has. And she considered the bank ought to remove the record it made of the 'inconsistency' it identified at the time it reviewed the application.

TSB said it would consider a fresh application for an account from Mr S. But it declined to remove the adverse information it recorded about Mr S from the original application. Before the complaint was able to be reviewed by me, Mr S has written here to say that he now has a national insurance number and is employed part time at the university.

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 done so, I've come to the same findings and conclusions as the adjudicator.

There are few elements to this complaint that I need to determine. I will reiterate though that it's a matter for the bank as to what accounts to agree to open and what customers it wants to accept, or retain, and on what basis. TSB is expected to exercise such commercial judgement, fairly and reasonably, but I can't say that it failed to do that when rejecting the application.

In the same way that a bank is entitled to end its banking relationship with a customer by closing accounts they hold with it, it's also entitled not to accept an application for new products. This is just the same as a customer of a bank being entitled to decide to end the relationship themselves – or decide who it might, or might not, want to bank with.

Of course, TSB is expected to adopt a set of procedures for dealing with applications for new accounts. But the bank has such procedures in place. And I can't say TSB failed to follow its own procedures in responding to Mr S' application for a new account here.

That all said, TSB admits that its administration of certain aspect of the application process fell short of the standards it itself expected to apply to the procedure. It agrees that compensation ought to be paid for that but there's a disagreement as to what compensation should be paid and I'll return to that.

Before I do, I should address the issue of the adverse marker recorded by TSB. I accept that the bank was concerned about the 'inconsistency' that it found – and it follows that the bank was entitled to respond to what it found as it did, by recording that finding and declining to offer banking facilities.

But, regardless of whether Mr S attended a branch with the explanatory evidence or not, it remains that he has now produced the evidence to show that while there may have been an 'inconsistency' between his stated address and the credit file information checked, it doesn't seem fair and reasonable for the adverse record of that 'inconsistency' – and the implications of that – to remain, given that Mr S has since produced evidence of residing where he claimed he did.

I've considered whether the adverse marker only represents that there was an 'inconsistency' found when Mr S' application was made – rather than whether there was actually an 'inconsistency' – but even if that were the case, I consider that an unqualified marker, saying that an 'inconsistency' was identified, isn't appropriately representative of a situation where an 'inconsistency' is identified but was able to be subsequently explained. I therefore agree that any marker made to record the 'inconsistency' should be removed.

And in light of all I've said, I also agree that Mr S should pay to Mr S a total of £200 compensation for the distress and inconvenience it has caused him, i.e. a further £150 than it paid him before the matter was referred here.

And, of course, if Mr S wishes to make a fresh application for an account with TSB, the bank should consider this, as it has agreed to do.

my final decision

My final decision is that TSB Bank plc should pay £150 to Mr S, in full and final settlement of this complaint, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 December 2017.

Ray Neighbour
ombudsman