

complaint

Ms L has a number of concerns about the way that The Royal Bank of Scotland Plc (RBS) treated her, including closing her current account. Ms L wants RBS to pay her compensation.

background

Ms L opened a student account with RBS in 1998. She went on to upgrade this account twice. Ms L says the bank reassured her that the additional benefits would help with her lifestyle.

Ms L is unhappy with the way she was treated by the bank after she encountered financial difficulties.

Ms L says she thought that she had a payment protection insurance (PPI) policy as well as her packaged bank account (PBA). Ms L thinks that RBS should've done more to help her.

Ms L is unhappy that RBS closed down her account as this meant she couldn't repay her loan.

Ms L is unhappy that the bank applied her PBA refund against her outstanding overdraft. Ms L says RBS told her that it had written off the debt.

Overall, Ms L feels that RBS has misled her, applied unfair charges and badly affected her credit rating.

The investigator didn't recommend that Ms L's complaint be upheld. He didn't think that RBS had treated Ms L unfairly.

Ms L is unhappy with the investigator's recommendation. She says that RBS sold the debt to a third party so it should have paid her all of the refund.

my findings

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

In cases like this, where the evidence is inconclusive, I reach my decision on the balance of probabilities. That means I'll look at all the available evidence and decide what I think is most likely to have happened.

Ms L opened a student account in 1998. She then upgraded the account to a Royalties PBA in 2001. RBS upgraded the PBA to a Royalties Premier account in 2005. Ms L's account was further upgraded to a Royalties Gold account in 2007.

Due to personal circumstances, Ms L wanted to increase her overdraft facility towards the end of 2008 but RBS wouldn't agree to this. Over the course of a few years, Ms L agreed repayment plans to reduce the unarranged overdraft by monthly amounts.

RBS says Ms L didn't keep to the various repayment plans so after sending out warning letters, it withdrew her banking facilities in 2010.

Ms L asked this service to consider a number of concerns, so I think it will be helpful to set out what I've looked at as part of this complaint.

using the PBA refund to reduce Ms L's debt

In early 2018, RBS agreed to refund the PBA charges and pay interest on the refund. But RBS then used the refund to reduce the outstanding debt on Ms L's current account.

Ms L is unhappy that RBS withheld part of the refund. She said her understanding was that RBS closed her bank account in 2010 and then sold the debt to a third party. And that she'd been told that the debt was now written off. Ms L also thinks that RBS has applied more charges and interest to the debt than it should've done.

I've had a look at the letter that Ms L says shows the debt was sold to a third party. It refers to the third party as a creditor in a list of unsecured creditors as part of a payment plan. However I don't think that this means RBS actually sold the debt to the third party.

Ms L's bank statements show a number of small payments from two third party debt collectors that reduced Ms L's debt over time. If RBS had sold the debt, I wouldn't have expected to see these payments on Ms L's statement.

RBS's account records also show that Ms L's account wasn't closed until the end of May 2017. There's nothing else in Ms L's customer file to indicate that RBS sold the debt. As far as I'm aware, Ms L's account remained open for the purpose of reducing Ms L's debt until May 2017. And that any third party involved was collecting payments on behalf of RBS.

I'm satisfied that RBS wrote to Ms L in May 2017 to remind her that she remained liable for the debt. It has given us a template of the letter it sent. The letter says that "*even if we decide not to pursue you in the future for the repayment of your debt, information regarding your outstanding debt will continue to be reported to Credit Reference Agencies*".

RBS's customer notes indicate that Ms L received the letter as she contacted it on 5 June 2017. She said that she wanted RBS to write and confirm that the debt had been written off. RBS said that it couldn't do this, as although it wasn't going to pursue repayment, the debt still existed and would remain on her credit file as an outstanding balance.

Taking all of this into account, I can't find that RBS was wrong to apply the refund against the outstanding debt.

I also don't have enough evidence to say that RBS incorrectly applied fees and interest against the account. Once it withdrew Ms L's banking facilities, RBS stopped applying charges and interest to help Ms L reduce the debt. I consider this was fair.

unfair refusal of an overdraft

Although RBS offered customers tailored rates of interest on "overdrafts of up to £15,000", I don't think this means the bank was wrong not to increase the limit as this would have had the effect of increasing Ms L's debt.

unfair closure of bank account

I'm sorry that Ms L was struggling financially but I'm satisfied that RBS agreed a number of payment plans to help her reduce the debt on her account. As Ms L wasn't able to keep up with the repayments, I think it was reasonable of RBS, as a last resort, to withdraw her banking facilities after warning her that it was going to do so.

protection under the PBA

When Ms L complained to us, she wanted us to find out whether she had any protection if she had to leave her job. Or protection that would cover her loan and other bills.

The relevant Royalties booklet sets out what services were included as part of PBA. These included things such as travel insurance, mobile phone insurance and card protection.

Like the adjudicator, I don't consider that Ms L's PBA meant that she benefited from any unemployment protection or help with paying her loan or bills. But I'm unable to give any advice, so this comment is only my own observation of what the literature sets out.

As RBS has already refunded the PBA charges and paid interest on the refund, I don't think I need to say anything further about this.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 14 January 2019.

Gemma Bowen
ombudsman