

complaint

Mr K complains about the charges The Royal Bank of Scotland Plc (“the bank”) has applied to his account and how it’s dealt with his financial difficulties.

background

In April 2018 Mr K told the bank that he was suffering from financial difficulties. The bank responded to him and said that it was not possible to clear the overdraft as it would place Mr K in an unarranged overdraft position, which would then begin to incur additional fees. The bank explained that the charges and interest had been correctly applied in line with the terms and conditions of the account.

As a gesture, Mr K was refunded 5 months of account charges totalling £85, and was advised how to downgrade his account from a Gold Account to a Select Account. This meant that Mr K was no longer charged the monthly account fee. The bank also waived the following two monthly account fees as a further gesture of goodwill.

Mr K was provided with the contact details of the banks Financial Hardship Team and invited to discuss his financial situation with it, to see what support and assistance was available going forward. Mr K was not happy with the banks response and referred the matter to us.

Our adjudicator reviewed the evidence. He felt the bank had considered Mr K’s requests in line with their criteria and good industry practice. So he didn’t think it would be fair to ask the bank to refund charges from 2015 and to write off the overdraft. Mr K didn’t agree with this outcome and has asked for an ombudsman to consider his 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.

reducing overdraft

I do not consider it unreasonable for the bank to refuse Mr K’s request to reduce his overdraft limit from £4,000 to £100. But Mr K owes the bank much more than £100. So this would make him liable for unarranged overdraft charges which would likely worsen his financial situation at an already difficult time for him. Because this is an overdraft, the bank would also be within its rights to ask Mr K to pay the outstanding amount immediately. So, while I can see why Mr K is unhappy the bank hasn’t done what he wanted, by not reducing the overdraft to £100 I think it has acted fairly.

Our adjudicator explained that Mr K could potentially reduce his overdraft through online banking. I realise that he’s unhappy that the bank didn’t tell him about this sooner, but it did tell him that he could go to a branch, or phone it on a free number about this. I think this was fair in the circumstances as the bank has said it wanted to talk to him before it took any action which may have made things more difficult for Mr K.

For the reasons I've already explained, the bank is under no obligation to reduce Mr K's overdraft; even though he wants this. So I don't think that telling him about online banking would necessarily have changed the situation for the better here. He asked the bank to do this and it declined, which was in Mr K's best interests. I think the fact it wanted to talk to him before reducing the overdraft shows that it was acting responsibly.

I've reviewed the current account terms and conditions (April 2018) and note that the bank has the ability to reduce the arranged overdraft as term 10.1 states that "*before we demand repayment, reduce your arranged overdraft limit or end your agreement, we'll usually give you at least 30 days' notice*". As of August 2018 Mr K was £1384.58 into his overdraft facility. I understand that the bank has not taken action on its own to reduce Mr K's overdraft limit because this would worsen Mr K's financial difficulties, and the bank would like Mr K to engage. I consider the bank is acting fairly in the circumstances.

charges

Mr K states that no one told him what the charges being applied to his account were for, or why they were so high. Overdrafts are a discretionary credit facility that banks offer to customers and they are entitled to charge for it. So there is no reason why the bank should refund historical charges for an overdraft that Mr K has used. I don't think the bank has treated Mr K unfairly by charging for overdraft facilities since 2015. The charges applied to Mr K's account since September 2015 are in line with the account terms and conditions which would have been provided to Mr K.

As a gesture of goodwill the bank refunded Mr K five months' account charges totalling £85 and also waived two months charges going forward. Mr K has said that he never accepted the £85, that it was added to his account without his knowledge, and has told the bank this on more than one occasion. By refunding the £85 to Mr K's account and waiving two months charges, as well as downgrading the account to avoid monthly charge fees, the bank was acknowledging Mr K's financial difficulties. In doing so, I think it was responding to him positively and sympathetically, as I'd expect here.

In July 2018 the bank offered Mr K a "breathing space" of no charges being applied to his account for 30 days, should a proposed repayment plan be agreed. But Mr K was not happy with the repayment plan suggested, as he said that he would be liable to pay charges after the 30 day waiver had passed. It wouldn't be fair for me to ask the bank to waive all charges to Mr K's overdraft going forward. The fees for using the overdraft will remain until Mr K's account is back into credit. But the bank wants to discuss proposals with Mr K and any repayment plan has to be mutually agreeable. Mr K therefore needs to engage with the bank to discuss a payment plan, and I consider that asking him to do so is a fair and reasonable way forward.

financial difficulties and lack of response

Mr K is not happy with the service provided by the bank. When Mr K notified the bank of his financial difficulties, he was informed that the bank could not accept his proposals. Mr K was asked to visit the bank to discuss his financial situation but he responded that the bank was some 50 miles away. A free phone telephone number was also provided inviting Mr K to make contact.

Mr K feels that the bank should have contacted him, as that is what a responsible business should have done following his initial correspondence to them highlighting his financial

hardship. But in providing alternative options for Mr K to engage, the bank has responded responsibly and sympathetically and I can't see how their customer service has been unacceptable. Our adjudicator has informed Mr K that the bank's Financial Difficulties Team would be happy to contact him at a mutually agreeable time.

income and expenditure

When Mr K spoke to the bank's Financial Difficulty Team in July 2018 he was dissatisfied with the bank's income and expenditure exercise as it did not take into account his wife's income. Having looked at the record of these calls – the bank did listen to what Mr K told it. That included what he told it about his wife's circumstances too. Unfortunately, it doesn't look like it was able to agree a way forward with him during these calls, as Mr K didn't accept the suggestions the bank made.

So, overall here, I'm satisfied that the bank has acted fairly. Mr K is going to need to work with the bank, in the ways it's suggested, to try and reach an agreeable way forward with it.

my final decision

For the reasons I have given, my final decision is not to uphold Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 20 December 2018.

Sadia Zouq
ombudsman