

## **The complaint**

Mr F complains TSB Bank plc (TSB) incorrectly applied a default on his credit file relating to a bank account he had closed over twenty years ago, which led to a mortgage application being declined.

## **What happened**

Mr F says he held a bank account with TSB which was closed over 20 years ago. Mr F says in 2017 TSB reopened the account and began to apply charges, but as he'd moved home over ten years ago he never received any correspondence from TSB. Mr F says in October 2020 he received a letter from a debt collection agency stating he owed in excess of £700 and was advised to visit a local branch to deal with the issue, at which point in December 2020 TSB admitted it was a mistake and it would deal with the matter. Mr F says he assumed at this point everything was settled but in late September 2022 he had applied for a mortgage via his broker and was informed it had been declined because of a default registered on his credit file.

Mr F says he went into his local branch again in early October 2022 and a complaint was set up, but even knowing of the urgency of the situation, TSB didn't remove the default until November 2022 following a letter of complaint he'd sent the TSB's CEO.

Mr F says TSB's initial error and the delays in amending his credit file has led to him having to take a mortgage with another provider at a higher interest rate and the extra cost to him over the fixed period term, will be in the region of £3,800.

Mr F says TSB should reimburse him for the extra interest costs he will have to pay, in addition to the £500 it has already offered him.

TSB says its records suggest Mr F's bank account wasn't ever closed in 2002 as he'd thought, and a small overdrawn balance was recorded in April 2001. TSB accept it agreed to put matters right in March 2021 and it should have checked the credit reference agencies (CRA's) had correctly reported this at the time. TSB says Mr F's mortgage application in September 2022 wasn't declined solely for the default as another reason was also stated and in any event this wasn't a formal offer but an agreement in principle – so it wasn't certain Mr F would have secured the interest rate he applied for.

TSB says it offered to increase the level of compensation from £250 to £500.

Mr F wasn't happy with TSB's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator says there wasn't sufficient evidence to show the reason for Mr F's mortgage application being declined, was solely due to the default registered with the CRA's as another reason was also stated for its refusal. The investigator says the lender also confirmed it hadn't got to the stage of underwriting an application, as it stalled at the brokers stage of the process and so it couldn't comment if any application would have been approved.

The investigator says there was no evidence to show Mr F's bank account was ever closed and the bank account was sent to a debt collection agent as part of its process. The investigator says the compensation TSB offered Mr F of £500 was because it accepted it should have checked that the CRA's had correctly amended his credit file as it has requested in March 2021 – which the investigator felt was fair. The investigator says Mr F raised other issues, but these couldn't be considered as they didn't form part of Mr F's original complaint.

Mr F didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

### **What I've decided – and why**

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 won't be upholding this complaint and I will explain how I have come to my decision.

I can see Mr F has made additional points to his complaint but as these weren't part of his original complaint to TSB to answer, I can't consider these points, and these will need to form part of a separate complaint if he so wishes.

I can understand it would have been upsetting for Mr F to learn his mortgage application had been declined for what he believed was solely due to a default on his credit file that TSB should have corrected in late 2020, when he informed them of its mistake. When looking at this complaint I will consider if TSB are responsible for the fact Mr F had to take out a new mortgage at a higher interest rate as a result of his credit file not being amended, and if that difference in cost should be refunded to him.

The first thing to say here is both Mr F and TSB have provided comprehensive commentary and information relating to this complaint and while that has proved helpful, I won't be commenting on every point made as I don't feel it's necessary in order to come to a full and impartial decision here. That's not to say I haven't considered everything – I have.

It's fair to say the facts of this case are well known to both parties and have been described earlier in this decision so I won't repeat everything that's already been said here. The centre of Mr F's complaint is that TSB "re-opened" a bank account he closed over 20 years ago and as a result it incurred bank charges over many years, leading to it being defaulted and passed to a debt collection agent. Mr F maintains that despite this matter being discussed and resolved as an error by TSB in late 2020, it failed to remove the default notice registered with the CRA's. Mr F says this led to him being declined for a mortgage in late September 2022 at a preferential rate of interest, which will now cost him additional interest in the region of £3,800 with another mortgage provider.

It's worth saying here from the information provided to this service there's no evidence to suggest TSB ever re-opened Mr F's bank account, he believes he closed many years earlier. This seems more of a case the bank account Mr F held wasn't ever closed, as from the information I have seen a statement suggests as far back as April 2001 the account existed and was approximately £30 overdrawn. It's not clear given the time that has passed why the account was still open and overdrawn when Mr F thought it had been closed and not unexpectedly neither Mr F nor TSB have any records going back that far. As part of TSB's process Mr F's bank account was defaulted and passed to a debt collection agent. That said TSB did agree having heard Mr F's explanation of events back in late 2020, it would agree to refund the interest and charges totalling around £700 and settle matters with the debt

collection agents.

While Mr F may not agree, from what I can understand TSB did inform the CRA's in March 2021 to remove the default notices from his file, but it seems the various agencies recorded this in different ways. Here, TSB have accepted perhaps it should have checked back then, the agencies carried out what it had instructed them to do, and this is why it offered an increased offer of compensation of £500 to Mr F.

Mr F believes the sole reason why his mortgage application was declined was due to the default still remaining on his credit file and his broker provided him with details of this. While I understand the point Mr F makes here I'm not fully persuaded by his argument that this is solely why he will need to pay more interest with another lender, during the fixed term of around £3,800. I say this because firstly, it is clear in the brokers document the default wasn't the only reason why the mortgage was declined, there was also an issue regarding his employment.

While Mr F has challenged this point referring to the mortgage providers website terms, I can't ignore the fact it was raised as a reason for the decline. So, it's not possible to know even if the default hadn't been registered, whether this would have affected the outcome of his application, or any interest rate the lender may have been prepared to offer. Afterall, the mortgage provider informed this service that the application never got to the point of underwriting, as it stalled at the broker's stage. With that in mind it's not possible for me to say with any certainty the mortgage would have been approved or not or at the rate of interest Mr F was looking for.

Mr F has pointed out that TSB once it had learned his credit file hadn't been corrected properly in October 2022, took too long to correct this and simply put this amendment with a bulk credit update which took some weeks to register, delaying matters further during a rising interest rate period. All I can say here is TSB will have a set process in place for dealing with updates to customers credit files and it would also be reliant on those CRA's to process these in a timely manner. It's not the role of this service to tell banks like TSB how its processes must operate in these circumstances.

So, although I have some sympathy with Mr F here given the sequence of events that happened, I can't hold TSB solely responsible for the reason he has been put in a position where he will now need to pay more interest on his mortgage – for the reasons I have already explained.

Mr F has been offered £500 by way of compensation from TSB relating to the fact it should have checked the CRA's had applied the amendments correctly back in March 2021, and I am satisfied that is a fair sum for that. I will leave it with Mr F if he now wishes to accept the offer.

While Mr F will be disappointed with my decision, I won't be asking anymore of TSB here.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 28 August 2023.

Barry White  
**Ombudsman**