

The complaint

Ms A complains that TSB Bank plc closed her current account and didn't communicate to her the consequences of not clearing her overdraft balance, including registering a default.

What happened

Ms A had a current account with TSB since April 2021. She had an overdraft balance which she said she took out in order to pay for some family commitments.

On 3 July Ms A said she was advised she had 60 days to close her account due to an overdraft outstanding that had not been paid. Ms A said she had been away and had missed letters sent to her concerning the overdraft. She said her mother had told her she hadn't received any letters from TSB requesting payment. Ms A said this was later found to be because the postal address TSB was using was an old address. Ms A said she was being paid for work and funds were in the account so she could have taken from these funds to repay the overdraft. She complained to TSB.

In its first final response TSB said it was confident it hadn't made an error closing the account. It said it regularly monitors how accounts are being used and this can sometimes result in it putting stops on transactions or closing the account. It said in line with the terms and conditions of Ms A's account it can give notice to close any customer's account and does not necessarily have to provide a reason for this. TSB issued a second final response letter. It accepted that a mistake was made with letters it sent to Ms A which caused confusion and sent her a cheque for £30 for the distress and inconvenience. It said while a mistake was made with the letters she was sent her account had been closed down and charged off to its recoveries department correctly.

Ms A remained unhappy and brought her complaint to this service.

While the complaint was with this service TSB looked again at its conduct and accepted that the default hadn't been correctly recorded. It offered Ms A a further 30 days to repay the balance of the account. And if it was paid within this time it would remove the default and make sure it isn't reapplied. It also offered an additional £170 as compensation.

Our investigator concluded that TSB's offer was fair and reasonable in the circumstances. Ms A didn't agree and asked for a decision from an ombudsman. She said her personal situation had changed and it wasn't fair that TSB had applied the default without notice.

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.

I realise this will come as a disappointment to Ms A but having done so I won't be asking TSB to do anything further.

I've read the terms and conditions of Ms A's account including as they relate to changing

address, account closure and overdrafts.

Ms A said she had missed letters concerning her overdraft. Ms A has said she did change her address with TSB. TSB can find no record of her doing so. It said it held an address (1) for Ms A until 9 October 2018 when it was changed to a new address (2). It said it has no record of any request to change address 2 until 20 November 2023 when it was changed to the current address (3). It said address 3 had been provided to it by the debt collection agent it had employed to seek repayment of the debt on that date. TSB said that if Ms A had attended the branch for that purpose it saw no reason why the address change wouldn't have occurred.

I'm not disputing Ms A when she said she changed her address with the bank. But even if that's the case it's Ms A's responsibility to ensure TSB has the correct contact details, which would include satisfying herself that the change had been made.

TSB has said that on 3 July 2023 it conducted a review of Ms A's account and decided it could no longer provide her with an account. In line with its terms, it provided Miss A with 60 days' notice of the closure of the account by sending her an email informing her that it would be closing her account on 3 September. The terms and conditions allow TSB to do this with two months' notice, so I'm satisfied it hasn't done anything wrong here.

TSB said overdrafts are repayable on demand, but it would usually give customers 30 days' notice if it needed an overdraft to be repaid. It said when it gave Ms A notice of the closure of her account she should have been aware that she needed to repay her overdraft in this timescale. However TSB accepted it had made an error when it had not removed her overdraft limit – as doing so would have forced the account to its Recoveries team. This would have prompted TSB to send letters demanding the repayment of the account in full and warning Ms A of the default it would apply to her credit file. As the overdraft limit was not removed, the letters TSB sent to her only referred to the amount she was over her planned limit. TSB has accepted this caused confusion.

TSB said the only letter demanding full repayment was sent to Miss A on 3 November and it should have given her a month from that date to repay the balance before applying the default, as this is set out in its terms. It said it did not issue a default notice or formal demand letter after this date. It said the default wasn't correctly recorded as it did not give Ms A the required 30 days' notice of the withdrawal of her overdraft, and it did not give her this period to repay the debt. Having read TSB's account of events and seen copies of the letters it sent I'm persuaded the default wasn't applied correctly and am pleased TSB has acknowledged this.

TSB said to settle the matter it would provide Ms A with a further 30 days to repay the balance of the account. It said if the balance is not repaid in this timescale it will reapply the default to her credit file. It went on to say if the balance is paid in full in the next 30 days, it would remove the default and would ensure this is not reapplied. It said in view of the upset caused by the errors made in its handling of this matter, and the incorrect letters sent, it proposed paying Ms A a further £170 to bring the redress to £200. Having considered the circumstances I'm satisfied this offer is fair and reasonable.

Ms A told this service she said she had no way of contacting TSB at the time she received their message about closure, as she was overseas. While I do understand it would've been difficult this isn't something I can hold TSB responsible for.

She went on to say it's not fair it applied the default without notice. TSB has acknowledged its mistake and I'm satisfied with the remedy it has offered.

Ms A has also said that her personal circumstances have changed and it's unfair they're pressuring her to repay. Ms A doesn't need to accept the offer. She can repay her debt over a longer period of time, but this will have an impact on her credit file. Ms A has indicated that her financial situation has deteriorated. If she is unable to pay off the overdraft balance in the time given and pays the debt over a longer period of time I would expect TSB or the new owner of the debt to treat Ms A sympathetically and positively.

Ms A also told this service that she had been in a position to repay the overdraft and would've budgeted had she known the deadline to pay by. I'm satisfied that Ms A was sent letters and it was her responsibility to ensure TSB had the correct contact details. While I acknowledge Ms A may have had a willingness to pay I've not seen any evidence she had the funds available at the time.

Putting things right

TSB has made the following offer to settle the complaint and I think this offer is fair in all the circumstances.

To put things right TSB must

- Provide Ms A with one month from the date of our adjudication to repay the balance of the overdraft. On doing so it will remove the default. If the debt is not repaid within a month it will leave the default in place rather than reapply it at a later date, as this will mean it will drop off Miss A's credit file earlier.
- Pay Ms A a further £170 in compensation for the distress and inconvenience caused.

My final decision

TSB has made an offer to settle the complaint so my decision is that TSB Bank plc must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 14 June 2024.

Maxine Sutton
Ombudsman