

The complaint

Mr E is unhappy that The Co-operative Bank Plc (“Co-op”) allowed his account to become overdrawn and that this has had an impact on his credit file.

What happened

Mr E opened a bank account with Co-op in September 2022. Although the account didn’t come with an arranged overdraft facility the terms and conditions of the account say that:

“If you have not agreed an overdraft with us in advance and do not have sufficient funds to cover payments due, we may either refuse the payment or allow it and agree to an unarranged overdraft. When you use an arranged or unarranged overdraft you will be charged debit interest. Any arranged or unarranged borrowing will show on your credit file. Unarranged borrowing will show as arrears, which can negatively impact your credit file and make it harder for you to obtain credit in the future.”

On 4 October 2022 a payment to a merchant put Mr E into unarranged overdraft. Co-op sent Mr E a text alert about the unarranged overdraft the following day. Mr E continued to transact on the account and the account remained overdrawn until Co-op wrote to Mr E on 28 and 30 March 2023 about the status of his account being in unarranged overdraft and confirmed that this may impact his credit file.

Mr E complained to Co-op that he never received the text alert and was unaware his account was overdrawn – he doesn’t think it is fair that his credit file will be impacted.

Co-op didn’t uphold Mr E’s complaint. It says it acted within the terms and conditions of the account and no error had been made on its part.

Mr E was dis-satisfied with this and brought his complaint to this service. One of our adjudicators looked into Mr E’s concerns but didn’t think Co-op had done anything wrong. Mr E disagreed, although he accepts that he should have managed his finances better due to him working away he has limited connectivity and so wasn’t able to check his phone messages or balance online. Mr E has asked for an ombudsman’s 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.

My role is to look at the problems Mr E has experienced and see if Co-op has done anything wrong or treated Mr E unfairly. If it has, I would seek – if possible - to put Mr E back in the position he would’ve been in if the mistakes hadn’t happened. And I may award compensation that I think is fair and reasonable.

Mr E’s main complaint point is that he didn’t know he was in unarranged overdraft and that it is unfair that this has impacted his credit file. He says as soon as he found out he paid the balance.

Firstly, as outlined above the terms and conditions of the account do say if there are insufficient funds in the account to cover payments than Co-op may agree an unarranged overdraft and that this can negatively impact your credit file. So I don't think that Co-op made a mistake when it allowed Mr E's account to become overdrawn and then reported this on his credit file as this was allowed under the terms and conditions of the account.

And I don't think Co-op treated Mr E unfairly either. When his account became overdrawn it alerted Mr E to this by text message the following day. I accept that Mr E may well have not received the text alert, but this is not due to an error on Co-op's behalf. And even without receiving the text message as I'm sure Mr E is aware having a bank account comes with responsibilities – one of which is ensuring you have enough money in your account to meet the payments you wish to make. Mr E was registered for online banking so I would expect that he would be reviewing his statements when able.

I accept that Mr E may well have - at times – had difficulty with accessing his account online and / or receiving text messages. But again, this wasn't due to an error on Co-op's behalf. And Co-op's records show that Mr E transacted on the account on 11, 12, and 14 October and that he withdrew £250 from an ATM on 16 October and then paid it back in the same day. This suggests to me that Mr E was likely aware of the balance on his account and that it was overdrawn and that he chose not to do anything about it for almost five months. Indeed, the statements show that the most Mr E ever had in his account was £150 when he opened it the month before – so why did he think he'd be able to withdraw £250 without his account becoming overdrawn.

I understand that Mr E is concerned about the impact this has had on his credit report, but Co-op has a duty to make sure the information it reports on its customers affairs to the credit reference agencies it subscribes to is factually accurate – and I think it's reasonable to assume if you let your account go into unarranged overdraft and you do nothing about it that this will be reflected on your credit file.

It might assist Mr E to know that he can place a 'Notice of Correction' on his credit record. The purpose of such a notice is to allow someone the opportunity to add any explanatory circumstances that they would like prospective lenders to take into consideration when making lending decisions. If he wishes to do this, he should contact the credit reference agencies directly.

So I don't think Co-op have done anything wrong or treated Mr E unfairly. It acted within the terms and conditions of the account and alerted Mr E to the status of his account when it went into unarranged overdraft.

My final decision

For the reasons I've explained I do not uphold Mr E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 15 August 2023.

Caroline Davies
Ombudsman