

The complaint

Mrs W complains about the interest rate Bank of Scotland plc ("BOS") charged for her overdraft. She says BOS failed to advertise the rate that would apply for the use of the overdraft before it was used and that the charges have contributed to her financial difficulties.

What happened

Mrs W held an account with BOS with an overdraft facility with a £1,000 limit.

Mrs W complained to BOS that the interest rate charged on her overdraft differed from that of the online calculator and that the charges caused her extreme financial pressure.

BOS says all charges were applied correctly in-line with the terms and conditions of the account, but signposted Mrs W to its financial assistance team for assistance with any financial difficulties she was having.

Mrs W was dis-satisfied with this and brought her complaint to this service. One of our adjudicators looked into Mrs W's concerns and reached the conclusion that Mrs W would've likely been given notice of the upcoming charges a reasonable period in advance of them being applied and as there weren't any signs of financial difficulty, they didn't think BOS had treated Mrs W unfairly.

Mrs W disagreed she says BOS was aware of her financial difficulties yet still charged her an unacceptable level of overdraft interest and 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.

Having considered everything provided, I've decided not to uphold Mrs W's complaint.

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

Mrs W is unhappy at the interest rate applied to her overdraft – she thinks BOS failed to advertise the rate of interest that would be applied before the overdraft facility was used. Before I go any further, I want to be clear in saying that I haven't considered whether the various amounts BOS charges are fair and reasonable, or proportionate in comparison to the costs of the service provided.

Ultimately, how much a bank charges for services is a commercial decision. And it isn't something for me to get involved with. And this also applies in regards to how a bank runs its

business. I cannot make a bank change its systems or processes such as how it works out what it is going to charge and who it will offer various rates too.

All I can do is decide whether BOS treated Mrs W fairly and provided her with enough information to decide whether she wanted to use the overdraft facility on her account

I think Mrs W would've understood that prior to using the overdraft facility there would be a cost for it. Mrs W says that BOS advertises that the typical rate charged would be 39.9%. But this doesn't necessarily mean that is what the rate Mrs W would be charged. BOS has told us the typical rate Mrs W saw advertised was for a different account and shown us under the terms and conditions for Mrs W's account that its lowest rate is 39.9% but it can charge up to 49.9%. BOS provides a link to this in its current terms and conditions for information on overdraft interest rates for previous bank accounts. And the rate of overdraft interest charged is also shown on Mrs W's bank statements.

If Mrs W wanted to know the exact cost she would be charged I think she would've been able to find this out by getting in contact with BOS directly had she chosen to do so. So I'm satisfied there was enough information regarding the cost of the overdraft facility for Mrs W to decide whether she wanted to make use of it.

If Mrs W, after using the overdraft found that the interest rate applied wasn't acceptable or different to what she expected, she could have then stopped using the overdraft facility. And if this wasn't possible she could've got in contact with BOS about any financial difficulties she was facing. But Mrs W didn't do this she continued to utilise the overdraft facility for over a year.

That said, BOS won't have acted fairly and reasonably towards Mrs W if it applied any interest, fees and charges to Mrs W's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mrs W was experiencing financial difficulty.

So I've considered whether there were instances where BOS didn't treat Mrs W fairly and reasonably before Mrs W got in touch with it. I don't think that BOS did treat Mrs W unfairly or unreasonably here though. I say this because having looked at Mrs W's statements, I can see little, if anything, to suggest that BOS ought to have realised Mrs W might have been experiencing financial difficulties prior to it being notified of this.

Mrs W's statements show that while Mrs W did use her overdraft, she rarely came near to the top of her limit was able to at times see a credit balance when credits came into the account. I also note that many of the transactions on the account appear to be non-discretionary retail and leisure spends. So I don't think there were signs which ought to have alerted BOS to any potential financial difficulty before Mrs W raised it. And in these circumstances and where charges have been applied correctly in line with the terms and conditions of the account, I don't think that it was unreasonable for BOS to proceed with adding the interest, fees and charges that it did in light of how Mrs W's account was being used.

So overall and having considered everything I do not uphold Mrs W's complaint.

My final decision

For the reasons I've explained I've decided not to uphold Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 31 August 2023.

Caroline Davies
Ombudsman