

The complaint

Ms M complains that TSB Bank plc have treated her unfairly by transferring the collection activity on her credit card account to a third-party.

What happened

Ms M has raised a number of concerns about how TSB have treated her, which have been considered in a different complaint. I won't be commenting on anything considered in that separate complaint as part of this decision.

This decision will purely be focussing on whether or not it was fair of TSB to transfer the collection activity on her account to a third-party.

Ms M has had a credit card account with TSB since 2015. In early 2022, Ms M got behind with her repayments by initially paying less than the minimum amount due, and so TSB sent Ms M letters asking her to bring the account back up to date.

In April 2022, Ms M stopped making repayments to the account. TSB continued to contact Ms M for repayment. Ms M completed an income and expenditure form and sent it back to TSB in October 2022. Upon reviewing the form, TSB said it found that Ms M's outgoings were more than her income, and so it couldn't set up a repayment plan for her.

After this, no repayments were made to the account, and so TSB sent a default notice to Ms M – which requested that she repay the outstanding balance on the account otherwise the account would default. TSB say it didn't hear from Ms M following the default notice letter and so her account was defaulted in January 2023, and collection activity was passed to a third-party. Following this, Ms M complained.

TSB responded to Ms M's complaint in April 2023. It didn't think it had done anything wrong in transferring the account to its recovery team and passing collections activity to a third-party. Ms M remained unhappy with TSB's response and so the Investigator looked at what both parties had said.

The Investigator didn't uphold Ms M's complaint. They said that Ms M hadn't made a payment on the account since April 2022. And that following the receipt of the income and expenditure form, when it became clear that Ms M would struggle to repay the debt, TSB were fair to default the account and outsource collection activities to a third-party.

Ms M didn't agree with the Investigators view. She said she had contacted TSB many times, but due to issues with her passing security, she wasn't able to resolve matters. She also referred to the poor service she'd received in relation to the income and expenditure form.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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 all the information available to me, I won't be upholding Ms M's complaint. I appreciate that this decision will come as a disappointment to her, however I will explain my reasons for this below.

As I've previously explained, this decision won't be about the service Ms M has received from TSB, because this has already been looked at as part of a separate complaint. I will only be considering if it was fair of TSB to transfer the collection of her debt to a third-party debt collection firm.

I don't think it's in dispute here that Ms M hasn't made a payment to the account since April 2022 – and that there is an outstanding debt due on the account.

I can see that over the course of 2022, TSB has sent Ms M several letters asking her to bring the account up to date. So, I think Ms M was aware, or ought to have been aware that repayment was due.

TSB say that when it received the income and expenditure form from Ms M, it decided not to set up a repayment plan, because Ms M's outgoings were more than her income. I don't think this was unreasonable of TSB. It wouldn't have been fair to ask Ms M to set up a repayment plan, when it was clear she couldn't afford to make any repayments to the account.

Following on from this, in November 2022, TSB sent Ms M a notice of default which explained that Ms M would need to pay at least £149.93 to her credit card account no later than 7 December 2022. The letter explained, amongst other things, that if Ms M didn't do this, it would default her account, and move her account to TSB's Recoveries Department, who will use Debt Collection Agencies to work on its behalf. I can also see it sent her a final demand for payment in December 2022. Ms M didn't make a repayment following this and so her account defaulted in January 2023.

It isn't unusual that a firm would transfer collection activity to a third-party once an account has defaulted. I don't generally find this to be unfair or unreasonable. And based on all of the evidence I've seen in relation to Ms M's complaint, I don't find it to be unfair in this case either. I say this because Ms M hadn't been making payments to the account for a long time, so I don't find that TSB did anything wrong in defaulting the account. It follows that it also wasn't unreasonable of it to outsource the collection activity to a different firm.

I am aware that Ms M has been through a difficult time, and I am sorry that things have been so hard for her. I can also see that TSB hasn't always been very helpful towards Ms M – as covered under the other complaint she had with this service. But neither of these things lead me to conclude that TSB has done anything wrong in outsourcing the collection of the debt on her defaulted account.

My final decision

For the reasons set out above, I don't uphold Ms M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 20 November 2023.

Sophie Wilkinson
Ombudsman