

The complaint

Miss H is complaining about TSB Bank plc because she wanted to change the payment date for a payment arrangement she had with the bank and was unable to do so.

What happened

Miss H had a credit card with TSB. She fell behind with payments and, in June 2023, agreed a payment plan with the bank for six months. TSB wrote to her on 7 June to confirm the arrangement. The letter said the first payment of £100 was due by 1 July with further payments for the same amount due by 1 August, 1 September, 1 October, 1 November and 1 December. The letter said

“We need to receive your payment on or before the above date, so please allow enough time for the payments to reach your account.”

Miss H didn't make a payment in June but she did pay £100 on 14 July, 15 August and 15 September. When she contacted us with her complaint, she said she was also planning to make future payments in the middle of October, November and December.

When the payment due on or before 1 July wasn't made, TSB wrote to Miss H and its records show it tried to contact her by telephone a number of times between July and September. It also issued a default notice on 26 August. At the same time, Miss H says she wrote to TSB twice asking to change the payment due date to the 15th of each month to coincide with her wages being received. She says she received no reply to these letters.

Miss H wrote again in response to TSB's letter of 26 July and this appears to have been treated as her complaint. In its response, TSB outlined its view that Miss H broke the arrangement from the start when no payment was made before 1 July and that it was entitled to default the account in these circumstances.

After the complaint was referred to me, I issued a provisional decision setting out why I thought the complaint should be upheld. My findings were as follows:

“Miss H has told us this reduced payment arrangement was important to her and she was very grateful when it was agreed. In my view, the situation that developed subsequently is the result of an unfortunate misunderstanding on her part rather than a deliberate intention not to honour the terms or otherwise being careless.

The account statements appear show Miss H didn't make a payment in June and my interpretation of TSB's letter of 7 June is that it was expecting to receive a payment for the month of June on or before 1 July. All of Miss H's comments indicate she believed the first payment due on 1 July was for the month of July and that this is why she thought she'd be able to change the payment date to around 15th to coincide with receiving her salary.

I believe Miss H's misunderstanding of the payment arrangement is clear from her letter to TSB after the default notice was issued, in which she said:

"I read with confusion the above letter stating I'm going to be served a default notice.

We have a payment arrangement in place.

I am paying £100 each month from July to December 2023 on the following dates:

July 14th – paid
August 15th – paid
September 15th – to be paid
October 13th – to be paid
November 15th – to be paid
December 15th – to be paid

I have written to you twice recently with zero response from you which is incredibly poor service on your part.

Please confirm what the situation is asap. Do I receive a default notice even if a payment arrangement is in place? If not, then please update my records to show this asap."

It's unfortunate TSB says it didn't receive Miss H's previous letters asking to change the payment date, but I'm persuaded it's more likely than not that she did send them. These are mentioned in the letter above and I also think the dates of the payments made in July, August and September show an understandable preference to pay at the same time as her salary was received.

But whether or not Miss H's earlier letters were received, I think the one above shows she thought she was meeting the terms of the arrangement by paying in the middle of each month starting in July. As the party that set up the payment arrangement and fully understood how it worked, I think TSB should have identified this misunderstanding and made firm efforts to clarify the situation so the payment arrangement could be saved, for example by effectively agreeing to defer it for a month so payments were then up to date or giving her the opportunity to catch up with the missed payment before taking further steps towards defaulting the account.

TSB's records show it tried unsuccessfully to contact Miss H a number of times. It's not clear whether messages were left so she'd have known who was calling but, either way, she's said she couldn't take calls due to work commitments. When these attempts weren't successful, and once it should have been obvious Miss H hadn't understood the arrangement correctly, I think it's reasonable to expect TSB should have tried another method of contacting her, most obviously in writing, to clarify the situation and pro-actively offer solutions to put the arrangement back on track.

I think what's happened here is extremely unfortunate. TSB made reasonable efforts to come to an affordable payment arrangement with Miss H and, for her part, she was grateful for this and, aside from misunderstanding when the first payment was due, showed intent to honour it. If TSB had made appropriate efforts to clarify her misunderstanding and reaffirm the terms of the agreement, I think it's likely the situation could have been resolved much earlier and before things reached the stage they did.

My overriding aim is to reach a fair and reasonable outcome to this complaint. In the circumstances, I think TSB should contact Miss H in writing to try and agree another affordable payment plan. This would likely involve another assessment of her income and expenditure. Assuming an affordable amount can be agreed, I'd expect Miss H would then make a genuine attempt to honour it, but I do urge her to make sure she reads the terms clearly to avoid any further misunderstanding about when payments are due.

It's not clear what impact this situation has had on Miss H's credit file and whether the account has now defaulted. As no payment was made in June 2023, I think TSB was entitled to report that to the credit reference agencies. But, assuming another repayment plan can be agreed, I think it should amend the credit file to remove negative reporting after this date when Miss H was making payments. If a default was applied following the notice given on 26 August, I think TSB should now remove this as well.

If the complaint is resolved in this way, I think both parties effectively get another go at establishing an affordable and sustainable payment arrangement where Miss H understands the terms clearly and is able to meet its requirements as I believe her behaviour shows she always intended. I'm satisfied this represents a fair and reasonable outcome."

Miss H accepted my provisional decision without further comment. TSB didn't accept my provisional findings and made the following key points:

- Its letter of 7 June was clear that the first payment was due by 1 July and a reminder text message was sent on 30 June.
- It wrote to Miss H after the first payment was missed on 7 July and again on 26 July.
- It also tried to call her on 7 July, 10 July, 18 July, 19 July, 20 July, 21 July. None of the calls were answered, but it should have been clear it was trying to contact her due to the number of calls made.
- Miss H missed a further payment in August and it sent a text message on 10 August asking her to make contact and it tried to call her on 18, 21 and 22 August. A chaser letter was also sent on 26 August.
- A complaint response was issued on 10 August, explaining that payments had been due on 1st of each month.
- Further calls were attempted on 19, 20, 21, 22 and 27 September. A further chaser letter was also sent on 27 September
- A further text message was sent on 31 October, with further calls on 6, 7, 17, 23 24 and 27 November.
- It couldn't have agreed a new repayment plan without first understanding Miss H's situation and her failure to respond to its attempts to contact her made this impossible.
- It's not appropriate to ask TSB to remove adverse information from Miss H's credit file as it won't then provide other lenders with an accurate reflection of how the account was managed.

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, my findings haven't changed from those outlined in my provisional decision. If I haven't commented on any specific point, it's because I don't believe it's affected what I

think is the right outcome. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

My provisional decision referred to the contents of TSB's letter setting out the terms of the payment arrangement. As an industry professional, I understand what was intended but I think the evidence shows Miss H didn't appreciate the first payment was intended to be for the month of June. Instead, she thought it was for the month of July and that's why she thought she'd be able to change the payment date and make payments in the middle of each month to coincide with receiving her salary.

As I've said previously, I think the nature of Miss H's misunderstanding should have been clear to TSB from her complaint letter in which she set out why she thought she'd honoured the terms of the agreement. From reading TSB's response to the complaint, I don't think it recognised how Miss H had misunderstood the arrangement or that the response did anything to clarify the situation for her. This is where I think TSB could have done more and, if it had, I believe it's likely the situation could have been resolved.

TSB has provided additional written correspondence in response to my provisional decision, particularly its letters of 7 and 26 July. It's disappointing I wasn't given sight of everything originally but, after reading these letters, I don't think the content would have done anything to alleviate how Miss H had misunderstood what was required of her.

The letter of 7 July does refer to Miss H having failed to honour the terms of the payment arrangement. But it then goes on to say:

"If the repayment programme is not brought up to date by paying £100.00 within the next 10 days it may involve additional charges and the issue of a Default Notice, demanding that you repay the full balance immediately."

The account statements show Miss H paid £100 on 14 July, within 10 days. So if it's accepted she'd misunderstood the arrangement in the way I've outlined, I think it was reasonable for her to believe the payment made on 14 July would be accepted as the first payment due in July and mean she was on track. From her perspective, I can see why this letter could also have made Miss H think payments in the middle of the month would also have been sufficient in future months.

I've also reviewed the subsequent chaser letters sent by TSB before Miss H referred her complaint to us in September. These don't mention the payment arrangement and refer to arrears of £269 on 26 July and £217 on 26 August being payable. Given Miss H thought she was honouring a payment arrangement for £100 per month, I don't think these letters would have done anything to clarify her misunderstanding.

I can see TSB made multiple efforts to contact Miss H by telephone and text message. I haven't been provided with the content of the text messages so it's difficult to comment on those. And I don't necessarily accept Miss H would have known TSB was trying to contact her by telephone as the records aren't clear about whether messages were left.

This notwithstanding, I accept the letters and text messages should have made Miss H aware something wasn't right and that she should contact TSB to sort things out. But she says she wrote on three occasions, including her letter of complaint. Miss H has told us she finds it difficult to talk on the telephone during work hours and, in the circumstances, I think it was reasonable for her to try and make contact by post. As I've outlined previously, and while I note HSBC says the first two letters weren't received, I think the available evidence suggests it's more likely than not they were sent.

It remains my view that what's happened here is extremely unfortunate. TSB made reasonable efforts to come to an affordable payment arrangement with Miss H and, for her part, she was grateful for this and, aside from misunderstanding when the first payment was due, showed intent to honour it. And once it became clear that something had gone wrong, both parties made reasonable efforts to contact the other but these attempts weren't successful – because Miss H wasn't able to take or make calls during work hours and TSB wasn't receiving her letters.

That said, I do think TSB should have identified the nature of Miss H's misunderstanding once it received her complaint and, if it had addressed this in its response and explained the first payment was intended for the month of June and this is why she continued to be a month behind, I think it's likely this situation could have been resolved before it became necessary to consider defaulting the account. I understand Miss H would have needed to provide information about her circumstances for TSB to consider another payment plan but I can't see she was ever directly asked for this. If she had been asked, I've no reason to think she wouldn't have responded with the required information as she presumably did when the payment arrangement was established in the first place.

My overriding aim is to reach a fair and reasonable outcome to this complaint. To put things right, it remains my view that TSB should contact Miss H in writing with a view to agreeing another affordable payment plan. As part of this process, I'd expect Miss H to provide any information about her income and expenditure TSB asks for and to make a genuine attempt to honour any agreement that's made. To avoid a repeat of the current situation, I'd also urge her to read the terms of any agreement carefully and contact TSB to clarify if she's in any doubt about what's expected of her.

It's not clear exactly what impact this situation has had on Miss H's credit file. But as no payment was made in June 2023, TSB was entitled to report that to the credit reference agencies. But, assuming another repayment plan can be agreed, it should amend the credit file to remove negative reporting after this date for the months Miss H was making payments. And if a default was applied, TSB should now remove this as well.

My final decision

For the reasons I've explained, I'm upholding Miss H's complaint. Subject to her acceptance, TSB Bank plc should now put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 1 April 2024.

James Biles
Ombudsman