

The complaint

Mr F complains that TSB Bank plc closed his current account and reported a default. He also complains that interest refunded to him following a review isn't sufficient.

What happened

Mr F opened a Classic Enhance account on 20 December 2013. The account included an overdraft facility.

In May 2023 TSB conducted a review of the account and found that interest and charges had been applied between November 2014 and December 2016 when Mr F had been on a repayment plan. On review TSB felt that the interest and charges shouldn't have been applied and arranged a refund. The total value of charges and interest applied to the account for the identified period plus 8% interest was £5,494.48. TSB applied part of the refund to repay the balance on Mr F's account (£2,804.89) and the remainder (£2,689.59) was sent to Mr F by cheque.

Mr F wasn't happy with the refund. He said that 8% wasn't enough for the upset caused to him during the period he was charged interest. Mr F was also unhappy that his account had been closed and a default reported on his credit file.

TSB issued a final response in which it said it had correctly calculated the refund and that the 8% interest was agreed with the FCA. TSB didn't address Mr F's concerns about the account closure or the default in its final response but has given this service consent to look into these issues.

Our investigator upheld the complaint. He said that although he was satisfied that the bank had closed the account in line with the terms and conditions, he thought TSB had acted unfairly by reporting a default because the amount of interest and charges which were incorrectly charged (and subsequently refunded) exceeded the defaulted amount. The investigator said he was satisfied that the amount refunded was correct but said the bank should put things right by removing the default from Mr F's credit file and paying compensation of £200 for the distress and inconvenience caused.

Mr F didn't agree. He said he wanted more compensation because he'd suffered the impact of poor credit rating for five years as a result of the default.

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've reviewed the terms and conditions of the account. These say that the bank can close the account without having to give any reason. TSB has said that it took the decision to close the account following a review of the way in which the account was being managed by Mr F, and the arrears on the account. I can see that TSB provided Mr F with two months' notice of the account closure, which is in line with the terms and conditions. In the circumstances, I'm

unable to say that TSB has made an error or treated Mr F unfairly by closing the account.

I can see that prior to the closure of the account, the account was defaulted on 13 April 2019. At this time there was a balance of £3,427. TSB subsequently conducted a review of the account and found that interest and charges had been incorrectly applied between November 2014 and December 2016, TSB acknowledged that Mr F shouldn't have been charged interest and charges during this period because he was in a repayment plan. It calculated the refund of interest and charges and added 8% interest, which resulted in a refund of £5,494.48, part of which was applied to the account to repay the balance and the remained of which was sent to Mr F.

Because the amount of incorrectly charged interest and charges exceeds the default amount, I don't think it was fair for TSB to default the account. I agree with the investigator that the default should be removed.

Mr F has said that the refund should've been more. This service isn't able to offer accountancy services. However, I've looked at the amount refunded and based on what I've seen from the account statements, I haven't seen anything to give me cause to think that the refund amount is incorrect. TSB applied 8% interest to the amount refunded, which is in line with what this service would expect. On balance, I'm satisfied that the refund was fair.

It's clear that Mr F's credit file has been impacted by the default for several years. He's told this service that this has prevented him from obtaining credit elsewhere. I think its fair to ask TSB to pay compensation to Mr F for the distress and inconvenience he's been caused. The sum of £200 is fair and reasonable.

I'm aware that Mr F has also raised some concerns about his personal loan. This wasn't raised when Mr F initially complained to TSB. If Mr F wants his complaint about his personal loan to be looked at, he will need to raise this with TSB directly first in order that they can investigate and issue a response.

Putting things right

To put things right, TSB Bank plc must remove the default from Mr F's credit file. It must also amend Mr F's credit file to accurately report when he was in a payment arrangement, and further, show the account as settled from the date when Mr F had repaid the capital he owed had the interest and charges not been incorrectly charged.

TSB Bank plc must pay Mr F compensation of £200 for the distress and inconvenience caused to him as a result of being incorrectly charged interest and charges, and for the default being reported on his credit file.

My final decision

My final decision is that I uphold the complaint. TSB Bank plc must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 2 August 2024.

Emma Davy
Ombudsman