

The complaint

Mr W isn't happy Bank of Scotland (BoS) offset a refund of interest and charges against his outstanding credit card balance instead of refunding the money direct to him.

What happened

Mr W had a credit card ending ****7687 with BoS, and from 2014 he'd had difficulty in keeping up with his repayments. The account defaulted and was sold to a debt purchaser, I'll call "C".

In February 2019 as part of a rectification project, BoS recalculated interest and charges that had been applied to Mr W's credit card account. And refunded the difference in the interest back into this account.

Mr W complained to BoS as he said he'd not been given the option to have the refund paid direct to him as he had with other similar refunds. And when asked the BoS' agent had refused to give him their identification details.

BoS said as Mr W still had an outstanding debt, they'd reduced the balance he still owed, effectively removing the interest and charges that had been added to the balance, a corrective refund. And they didn't have to ask Mr W about the way this should be repaid. BoS said they'd also looked at the actions of their staff and the details Mr W had asked for weren't available to give. And that their member of staff hadn't done anything wrong.

Mr W wasn't happy with BoS' response and referred his complaint to us.

Our investigator didn't uphold his complaint and explained that she'd looked at BoS' processes in how they'd dealt with the matter. She said BoS had followed agreed guidance in how they'd dealt with the refund of interest and charges. She clarified the account the charges related to and she said there hadn't been any detriment to Mr W.

Mr W didn't agree. He said the investigator had shown bias and hadn't looked at all of the evidence. And that BoS was part of the same banking group as another bank he'd had an account with, and they hadn't offset the refund but paid it direct to him. He didn't think he had been treated fairly.

Mr W has asked for an ombudsman to decide.

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 I'm not upholding this complaint. I know Mr W will be disappointed in my decision, so I'll explain why.

We're an informal dispute resolution service, acting as an alternative to the courts. This means we're impartial and look at both sides of the story. We don't place more weight on one side's story because of who they are. We ask questions and weigh up all the information we're given. In reaching my decision I'm required to decide what is fair and reasonable in all the circumstances of Mr W's complaint.

I can understand Mr W's frustration as he has shown he had another refund paid direct to him from a member of the same banking group. He thinks BoS should do the same, as there is an inconsistency, and this is unfair to him.

There can be many factors which affect what a business does. I don't know the facts of the other case where Mr W was refunded. So, in reaching my decision I need to determine whether BoS has been fair and reasonable in what they have done.

Mr W got into financial difficulty in 2014. And BoS went on to pass his credit card account to a debt purchaser for collection of the debt. When BoS carried out a review of their internal collection processes they saw that before they'd sold Mr W's account to "C" they'd hadn't always acted appropriately, and now looked to correct this.

In February 2019, I can see BoS let Mr W know about the account correction and I think made it clear how they intended to apply the refund. And Mr W would have known he still owed over £11,000 on his credit card account, so I think he'd have realised what BoS was saying in their letter.

The refund of £104.20 was in respect of card ending **** 7687 and was an interest refund for the period of March 2014 to July 2014, when BoS still owned Mr W's credit card account. BoS passed the account adjustment on to the current owner of the debt "C".

Mr W thinks the refund should have been paid directly to him. I can see why he'd think this given his relationship with BoS had ended when they sold his debt. But I have to consider what's fair and reasonable in the circumstances. The refund relates only to interest and charges on Mr W's credit card account. He owed more than this to BoS at the point the debt was sold, and to the debt purchaser "C" at the point the refund was made. In effect, in this case the refund is an account correction because Mr W had never paid the interest and charges and wasn't out of pocket in this respect. So, I don't think BoS has been unfair in correcting Mr W's account in this way.

Mr W has also complained about not being given information he asked BoS' agent for. Mr W said he needed the information to be able to keep a continuity of contact with BoS. And he'd asked the agent for an identification number. BoS has said their agent wouldn't have had an identification number. And I can see that enough information was given to Mr W when he called for him to be able to identify who he'd spoken to.

My final decision

I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 October 2020.

Anne Scarr
Ombudsman