

The complaint

Miss G complains that a mistake made by Bank of Scotland plc ("BoS") meant her direct debit to pay her loan was cancelled. She thought the loan was paid off, and retired, but now BoS wants her to pay the rest back.

What happened

Miss G said that she had a loan with BoS. Her personal circumstances changed after she took the loan out, and she could no longer make the full monthly payment. With the support of a debt management company she set up an arrangement to pay BoS £150 per month. She said she'd been making the payments for a number of years, and had greatly reduced the debt, from around £15,000 to £1,500.

Miss G said she received a PPI refund from BoS in October 2018, and at the same time her monthly direct debit payments towards the loan stopped. Miss G said she thought that this meant the debt was now cleared. She said no one from BoS, or the third party debt collection agency managing this debt for BoS, got in touch with her until a year later.

Miss G said that BoS is now asking her to pay the rest of the debt, but she had retired in February 2019, because she thought all her debts had been paid off. So she didn't think it was fair for BoS to ask her to pay the outstanding balance now. She wanted BoS to write off the remaining debt.

BoS said that when it was working out Miss G's PPI refund, it briefly credited her loan account. The debt collection agency which is managing the repayments for BoS thought that meant the debt was paid off. So it cancelled Miss G's direct debit.

BoS said it would usually have expected that Miss G would get letters about this. She had been sent two letters telling her the loan was in arrears, one in December 2018 and one in June 2019.

BoS said it would've expected more letters to be sent to Miss G, but it appeared that the debt collection agency had noted Miss G as vulnerable. So it wasn't sending her all the letters that BoS would usually expect to go out in cases like this.

BoS offered Miss £150 to say sorry for what had happened. But it said she still owed the money, and it still wanted her to pay this. Miss G said she wouldn't do that, because now she'd retired.

Our investigator didn't think this complaint should be upheld. She said that BoS had accepted it caused the problem that meant Miss G's direct debit payments were cancelled. Our investigator was pleased to see that it had offered £150 in compensation for this.

Our investigator knew that the debt collection agency hadn't been in touch with Miss G when her direct debit was cancelled. But she said that BoS had been in touch. It had sent Miss G two Notice of Sum in Arrears statements, on 31 December 2018 and on 19 June 2019. Miss G had accepted on the phone to BoS that she did receive a Notice of Sum in Arrears

statement in December 2018. Our investigator thought this statement would've told Miss G that she still owed money on this loan.

Our investigator didn't think that BoS had to write off the remainder of this loan. She said she would expect BoS to consider that Miss G's financial circumstances had significantly changed since October 2018. So she said that Miss G wouldn't just have to start paying £150 per month again. The debt collection agency had already said that it wouldn't ask Miss G to pay more than she could reasonably afford, and would ensure any repayment arrangement is suitable for her.

Miss G said that she'd never had any ill health or mental illness that would justify BoS or the debt collection agency not getting in touch. She wanted her complaint to be considered by an ombudsman, so it was passed to me for a final 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.

I've reached the same overall conclusion on this complaint as our investigator.

It's clear that BoS has made a mistake in this case. The steps that it took led to Miss G's direct debit being cancelled. And then, she didn't receive the letters that BoS would usually expect to be issued in this sort of case. That's because of what looks like another mistake, this time by the debt collection agency working for BoS. The agency had decided not to write to Miss G because of her health. Miss G has been clear that she had no health problems at the time.

As BoS made a mistake, and the agency working for it also made a mistake, I do think that BoS needs to pay Miss G some compensation. It has offered £150.

Miss G says that isn't enough. She wants BoS to write off this debt, because she says she retired, thinking her debts had been paid. And she can't pay now.

But I don't think BoS does need to write off this debt. That's because I don't think it's BoS' fault that Miss G retired, thinking this debt had been paid.

Miss G's direct debit was cancelled in October 2018. And in December 2018, BoS wrote to her, to say that she still owed around £1,500 for this loan.

Miss G told BoS that she got this letter in December 2018, but then her direct debit was cancelled. That's not right, her direct debit was cancelled before this. Her last payment seems to have been in early October. But even if Miss G just made a mistake about this, BoS told Miss G in December 2018 that she owed about £1,500 on her loan. So if Miss G then assumed that her loan had been paid off because her payments stopped around this time, I don't think that would be BoS' fault.

For those reasons, I don't think I can fairly and reasonably ask BoS to write off this loan now. I think that Miss G should talk to the debt collection agency about what she can now afford to pay. Like our investigator, I wouldn't expect Miss G to just go back to paying £150 per month.

I don't think Bos has paid Miss G the £150 it offered. So I'll award that now, but I'll allow BoS to offset any payments it has made for this complaint, in case it has made this payment more recently.

I know that Miss G will be disappointed, but I don't think that BoS has to do more than it's already offered to do.

My final decision

My final decision is that Bank of Scotland plc must pay Miss G £150 in compensation. Bank of Scotland plc can count towards this award any money it has already paid Miss G for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 4 March 2021.

Esther Absalom-Gough

Ombudsman