

The complaint

Miss M complains Lowell Portfolio I Ltd haven't refunded money relating to a debt with them she says they should.

What happened

Miss M had a debt with a bank, who I'll call Bank A, which Lowell bought. In March 2020 Bank A wrote to Miss M saying they'd completed a review of some accounts and realised a refund of around £950 was due to her. They also explained as she had an outstanding balance with Lowell, the refund was paid to them.

Miss M called Bank A and said there was no outstanding balance with Lowell – but Bank A said they wouldn't have sent the refund to Lowell unless they'd confirmed there was an outstanding balance. Miss M said this wasn't right, because Lowell had said they'd written off the balance – so she got in touch with Lowell and asked them to confirm this to Bank A so she could be sent the refund. Lowell said the refund had been offset against the outstanding debt. But, as Miss M understood this to have been written off, she felt she was due the refund directly so complained.

Lowell replied to Miss M and said they could see in May 2019 they'd written to her saying they decided to close her account and remove the default. They explained this wasn't because they didn't believe the account was hers, but this was done as a gesture of goodwill. And they said as the account wasn't repaid in full, the refund was applied to the balance that was owed before the account had been closed.

Miss M was unhappy with this and asked us to look into things. One of our investigators did so. During her investigations Lowell explained they took the decision to stop asking Miss M to repay the debt, because they couldn't provide certain documents due to the time that'd passed. But they still felt it was appropriate for the refund to be applied to the balance.

Our investigator considered all of the evidence but felt that Lowell had acted fairly by applying the refund to the balance of the debt owed before the account was closed. Because of this, she didn't recommend Lowell return the refund to Miss M.

Miss M wasn't happy with this, saying they'd zeroed her balance, and removed it from her credit file so still felt the money should be refunded. As a result of this, the complaint's been passed to me 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.

And having done so, while I appreciate this will be disappointing for Miss M, I've decided not to uphold her complaint. I'll explain why.

I've seen a copy of the Notice of Assignment (NoA) which shows Lowell bought the debt from Bank A. This was sent to Miss M in December 2016, and I've also seen payments have been made by her to Lowell since then. So, based on the information I have it seems Miss M doesn't dispute the debt was hers and that the amount owed, around £5,800, was owed by her.

Miss M hasn't really disputed the debt is hers – more that she thinks Lowell effectively wrote off her debt, so the refund from Bank A should be hers. To evidence her point, she's provided us with a copy of the letter she received in May 2019, which is where Lowell said they'd decided to close the account. Miss M has also pointed out this letter says, "Balance £0.00".

The letter does say there's a zero balance, so I can see why Miss M would focus on this and combined with Lowell saying they'd closed her account it's understandable she'd think the refund is due to her.

But Lowell have explained they made a business decision to close the account and not ask Miss M for repayment because they couldn't provide the relevant documents needed to do so. I think this is different from saying no money is outstanding. As I've mentioned above, the debt was around £5,800 at the time the account was closed on their systems. I do note Miss M has pointed to the letter saying the balance is £0.00, but I don't think this changes the fact the debt hadn't been repaid.

So, thinking about what's fair and reasonable in all the circumstances of Miss M's case – it seems the debt was accrued by her, and the debt remained outstanding on Lowell's books. Because of this, I think Lowell have acted fairly in applying the refund to the outstanding balance rather than allowing for it to be paid to her directly.

My final decision

For the reasons I've explained above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 18 March 2021.

Jon Pearce
Ombudsman