

## **The complaint**

Mr J complains that Lloyds Bank PLC (Lloyds) sent a letter to his parents' address regarding his outstanding credit card debt, and they then passed his account to a debt collection agency without notifying him, despite him making payments.

## **What happened**

Mr J had a credit card balance of £1170.98 with Lloyds which he was struggling to pay.

On 12 June 2020 a Formal Demand Termination letter for the debt was sent to Mr J's parents address which he had moved out of six years previously.

Mr J complained to Lloyds about this and received a final response on 30 June 2020 offering him £200 for the error made in sending the post to his parents address. Lloyds also apologised and explained that they had reported the error to the Information Commissioner's Office (ICO). In the response they said that they would be happy to accept whatever repayment he could afford to pay, for as long as he needed.

Mr J then made contact with Lloyds and set up a payment for £100 per month to clear the debt. The first payment was due to go out on 1 August 2020 but as this was a Saturday, the payment was made on 3 August 2020.

On 5 August 2020 Lloyds referred Mr J's debt to an agent for collection.

Mr J received a letter from the agent advising of the outstanding balance and to contact them to arrange payment.

Mr J contacted the agent on 12 August 2020 to complain that the debt should not have been passed to them as he had made a payment arrangement with Lloyds. The agent agreed to place a 30 day hold on the account while the complaint was being investigated.

On 13 August 2020 Lloyds declined Mr J's complaint and said that no error had been made in passing the account to the agent. They said that passing the debt over was appropriate in the circumstances and asked Mr J to make contact with the agency to make a payment arrangement with them.

Mr J has continued to pay the agreed £100 per month and the debt is now cleared.

Mr J felt that the £200 he was offered in respect of his complaints wasn't enough, and he thought he should be entitled to £350 for the trouble and upset caused by Lloyds sending the letter to his parents address and for transferring the debt collection to an agency.

Our investigator approached the bank to see if it would increase its offer to £350. The bank declined, and on review, our investigator felt that the £200 offered by Lloyds was fair for the trouble and upset caused by the letter being sent to Mr J's parents address in error. She didn't think Lloyds had done anything wrong in passing the debt to the debt collection

agency, and so she didn't make any award for that. I note Mr J has already received the payment of £200.

Mr J disagreed with our investigator's view and has asked for an ombudsman's decision which is why it has come to me to review.

### **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 have looked at the evidence provided by Lloyds and Mr J, and taken account of what he has told us about the impact on him. However, having looked at this, I think that the outcome offered by Lloyds is fair, and I will explain my reasons below.

### **The letter sent to Mr J's parents' address**

Lloyds have accepted that the letter was sent to Mr J's parents address in error as this old address was still active on the system for him despite all other correspondence going to the correct address. As this error has been accepted, the question for me to decide is what level of payment is appropriate for the trouble and upset it caused.

I note that Mr J says that the impact on him was severe because he was already struggling financially and mentally, he was not coping with his financial correspondence, and had not in fact been opening the letters sent to his own address. He says that the letter sent to his parents' address was a shock, and when he opened it in front of them, he had to explain to them the extent of his financial problems which then caused a strain on their relationship.

Whilst I appreciate it must have been difficult for Mr J admitting his financial difficulties to his parents, I think it was still his choice to do so and I don't think I can take into account any impact that telling them might have had on their relationship.

I also note that Lloyds only sent one letter erroneously. It correctly named Mr J, so no one else should have opened (nor indeed did open) it, and he did actually receive it so there was limited detriment caused. I therefore think that the £200 offered by Lloyds in these circumstances is fair and reasonable.

### **Passing the debt to the agent**

Lloyds have sent us copies of the letters they sent to Mr J to advise him that the credit card account was in arrears and that it would be passed to an agent for collection.

A default notice was sent on 15 February 2020 and further letters were sent on 13 March 2020 and 16 April 2020. The April letter clearly says that as he has not responded to the default notice, the card agreement is terminated, and the card is withdrawn. It also says that failure to contact Lloyds to agree a way forward may result in them instructing a debt collection agency.

Mr J has advised us that he didn't open these letters and so was not aware of the default notice of the possibility of the debt being passed to the debt collection agency. However, I'm satisfied that these letters were sent, and also that they were received by Mr J, even if he chose not to open them. In view of that I can't fairly say that Lloyds didn't make him aware of the situation.

It is Lloyds process that they don't normally keep old debts in house. They are passed to a third-party agent to administer, and this can happen even if a repayment plan has been agreed between Lloyds and the customer. This is in their terms and conditions where it states, *"We may transfer our rights and obligations under this agreement (including our obligation to lend) to someone else. If we do so, your rights under this agreement will not be affected"*.

While I appreciate that Mr J is unhappy that the agent had been instructed, he was informed, and it was in line with Lloyds process for dealing with old debts. There's no reason why Lloyds should not be entitled to engage an agent to act on its behalf in dealing with debt, and such action is consistent with general industry practice.

I think Lloyds had given Mr J plenty of opportunity to contact them between February and August and had sent several clear letters explaining what would happen. I understand that Mr J had started to make payments just prior to the debt being passed over, but there was no reason why Mr could not continue to make the agreed payment to the agent instead of directly to Lloyds. In these circumstances, I find that Lloyds have acted fairly and in accordance with their processes. I will therefore not be making any award in respect of this issue.

I also note that Mr J has asked that any credit markers be removed. I can see that at the time Mr J was issued with a default notice he was not making payments in respect of this loan, and whilst he subsequently started making payments, the default notice was applied appropriately at the time, and there is no reason to remove it.

I realise that this will be disappointing for Mr J but I hope that my reasons give him a clear picture of why I feel the award offered is appropriate, and why I'm not increasing it as he has requested.

### **My final decision**

Lloyds Bank PLC have already paid £200 to Mr J and so my decision is that they are not required to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 15 June 2021.

Joanne Ward  
**Ombudsman**