

The complaint

Mrs S complains that she is being chased by debt collectors for an outstanding debt Lloyds Bank PLC (“Lloyds”) wrongly sold to it. Mrs S is also unhappy about the service she received by Lloyds when trying to resolve her complaint.

What happened

Mrs S held a bank account with Lloyds. In 2012 due to a disputed transaction the account went into unarranged overdraft. Lloyds closed the account at which point it had an outstanding balance of £116.40. In 2013 this was sold to a third party debt collection agency.

Mrs S started receiving letters from the debt collection agency regarding the outstanding balance in 2021. Mrs S says she wasn’t aware of the debt and believes that the transaction that caused her account to become overdrawn was fraudulent.

Mrs S raised a complaint with Lloyds over the phone about being chased for the debt so many years after the event. Lloyds did not think there had been any error on its behalf in the processes it followed as it found no record of a fraud claim ever being made. But as a gesture of goodwill it agreed to write off the debt. Following the phone call Lloyds sent Mrs S a final response letter to the address it had recorded for her which was unfortunately her old address that had not been updated.

Having not received the expected final response letter Mrs S phoned Lloyds on more than one occasion to chase for this. Mrs S was wrongly advised that Lloyds could send the final response letter by email and after once again not receiving this she chased Lloyds again. At this point Mrs S’s address details were updated and she was sent a copy of the final response letter.

Mrs S was dis-satisfied with this and brought her complaint to this service. One of our adjudicators looked into Mrs S’s complaint who didn’t think Lloyds had made any errors with selling the debt to a third party but thought Lloyds should compensate her £50 for the stress and inconvenience the matter caused her when trying to resolve it.

Mrs S didn’t doesn’t think £50 is enough to compensate her for the terrible customer service she received and has asked for an ombudsman’s 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.

My role is to look at the problems a consumer has experienced and see if the business has done anything wrong. If it has, I would seek – if possible - to put the consumer back in the position they would’ve been in if the mistakes hadn’t happened. And I may award modest compensation that I think is fair and reasonable.

Mrs S's complaint is that she is being wrongly chased for a debt so many years after it occurred. So the question I have to ask is whether Lloyds made a mistake in selling the debt to a third party debt collection agency when it closed Mrs S's account with an outstanding balance on it. And I don't think it did. I say this because although the transaction that put Mrs S's account into unauthorised overdraft was disputed, there is no record Mrs S ever raised a fraud claim on this. So with the balance on the account remaining outstanding Lloyds took the decision to close the account and sell the debt – something it is entitled to do.

I accept many years have passed since Lloyds sold the debt and Mrs S is only now being chased for this. It is unclear why the third party debt collection agency waited so long to take action – but this isn't anything to do with the actions of Lloyds or a mistake it made. So I don't think it would be fair to ask Lloyds to compensate Mrs S for this when no error has been found on its behalf. Nevertheless, as a gesture of goodwill Lloyds agreed to have the outstanding balance written off and effectively have put Mrs S in the position she would've been in if the debt hadn't been sold.

Mrs S is also unhappy at the customer service she received when trying to have the matter resolved. Lloyds final response letter was initially sent to Mrs S's old address and understandably Mrs S is concerned about this. But again I can't say Lloyds did anything wrong here as it sent the letter to the most recent address it had for her and it is Mrs S's responsibility to ensure the details Lloyds have for her are updated as her circumstances change.

However, I do agree that the customer service Mrs S received wasn't as good as it should've been. Lloyds failed to return a phone call and provided incorrect advice regarding the emailing of its final response letters. This meant Mrs S had to again chase for a written response to her complaint causing her some inconvenience which I think she should be compensated for.

And I'm in agreement with our adjudicator here that paying Mrs S £50 compensation for the inconvenience caused is a fair and reasonable way to settle her complaint and I'm not going to ask Lloyds to compensate any more.

My final decision

For the reasons I've explained I've I think £50 compensation is a fair way to settle Mrs S's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 25 November 2022.

Caroline Davies
Ombudsman