

The complaint

Miss B complains about the way in which Lloyds Bank PLC (Lloyds) have dealt with debt on her credit card account.

What happened

Lloyds had appointed a collection agency (who I'll call 'M') to collect the debt Miss B owed them. In August 2022 they decided to reverse that decision and to administer the debt themselves. Miss B is unhappy that the debt collection agency continued to write to her about the debt after it had been transferred back to Lloyds.

Lloyds issued their final response in December 2024. They said that M had been writing to Miss B to ask her to stop making payments to them, but that Miss B hadn't responded or stopped those payments. They said that the debt had now been written off and that no interest had been charged. They didn't think that any compensation should be awarded.

Miss B referred her complaint to this service. Our investigator thought Lloyds should have done more. He thought they should have advised Miss B that her payments were still being redirected from M to them. He suggested Lloyds should refund any payments Miss B had made since August 2022 and that they should pay Miss B £100 in compensation for the distress and inconvenience caused.

Lloyds agreed, but Miss B didn't think the compensation was sufficient. She asked for a final decision by an ombudsman.

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 think £100 is sufficient compensation in the circumstances. I'm upholding Miss B's complaint, but I don't think Lloyds need to do any more than our investigator has suggested.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Lloyds were aware of Miss B's personal and health difficulties, and they were also aware that payments were being diverted back to them from M. I think they could have done more to tell Miss B about the problem that had, after all, been ongoing since August 2022. They should pay Miss B some compensation, but I don't think that compensation needs to be more than the £100 our investigator suggested as I can't see that Miss B was financially disadvantaged, and the funds were credited to her account to reduce the balance.

Overall, I would agree that £100 is sufficient compensation.

Lloyds have now refunded the payments Miss B made to her debt after they decided to write it off and I can see that they've added interest to that refund. I think that was fair as Miss B had been deprived of that money. Miss B has confirmed she is happy with that action, and I've seen the letter Lloyds sent to her confirming the payment. I don't think Lloyds need to take any further action about the overpayments.

Lloyds have explained that the account was defaulted in 2011 so any adverse information will be likely to have dropped off the credit file as it's only reported for six years.

Putting things right

Unless they have already done so, Lloyds should now arrange to pay Miss B £100 to compensate her for the distress and inconvenience caused.

Miss B has told us that she is going to stop the standing order she has in place to pay M £6 per month towards the debt. It's important she does so to ensure no further overpayments are made.

My final decision

For the reasons I've given above, I uphold this complaint in part and tell Lloyds Bank PLC to pay Miss B £100 to compensate her for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 28 April 2025.

Phillip McMahon
Ombudsman