

complaint

Mrs H complains that Lloyds Bank PLC paid a refund she was due on her credit card account to a debt purchaser instead of her.

background

Mrs H had a credit card account that defaulted in 2012. The debt on the account was sold to a debt purchaser in 2014.

In December 2017 the debt purchaser wrote to Mrs H explaining that Lloyds was paying a refund of £7,122.80 because it had failed to send her Notice of Sums in Arrears letters since 2010 – something it was required to do by the Consumer Credit Act 1974.

The debt purchaser explained to Mrs H in this letter that the refund had been set off against her existing debt with it – reducing it from around £11,000 to around £4,000.

Mrs H complained to Lloyds because she thinks it should have paid the refund directly to her.

Our investigator didn't think Mrs H's complaint should be upheld. She said she didn't think Lloyds had to pay the refund to Mrs H because it related to interest and charges she'd never paid.

Mrs H disagreed with the investigator and asked an ombudsman to look at her complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Lloyds says it made a refund because it didn't send Mrs H information it was required to send by the Consumer Credit Act when her credit card account was in arrears. The effect of the relevant part of the Act is that Mrs H has no liability to pay interest or charges for the period Lloyds didn't send what it was supposed to – which Lloyds says was from 2010 onwards. I've not seen anything to make me think the refund Lloyds made was wrong.

Lloyds says it bought the part of the debt it was refunding back from the debt purchaser and then offset the refund against this amount. Account statements from the debt purchaser show the debt on the account reduced by £7,122.80 in November 2017. So whatever the arrangement between Lloyds and the debt purchaser looked like, the overall result was the same.

Mrs H thinks the refund should have been paid directly to her. I can see why she might think this given her relationship with Lloyds on the account ended when it sold the debt. But I also have to consider what's fair and reasonable in the circumstances. The refund relates only to interest and charges on Mrs H's credit card account. She owed more than this to Lloyds at the point the debt was sold, and to the debt purchaser at the point the refund was made. In effect, in this case the refund is more like an account correction because Mrs H had never paid the interest and charges and wasn't out of pocket in this respect.

On this basis, I don't find it would be fair to require Lloyds to pay the £7,122.80 directly to Mrs H. I don't think Lloyds acted unreasonably by arranging to reduce Mrs H's debt with the debt purchaser.

my final decision

For the reasons I've explained above my final decision is that I do not uphold Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 15 February 2019.

Michael Ball
ombudsman