

complaint

Mr Y complains that Lloyds TSB Bank plc ("Lloyds TSB") gave wrong information to the administrator of his debt management program which meant that the payments towards his loan stopped being made.

background

The administrator of Mr Y's debt management program paid a monthly payment into Mr Y's current account with Lloyds TSB. This was to cover the direct debit for the repayment of his loan with the bank.

In June 2012, Lloyds TSB told the administrator that Mr Y's account had been paid in full. So the administrator stopped making the payments into the current account.

However, there was still an outstanding balance on Mr Y's loan account, and therefore the direct debit from the current account continued to be taken. As there was no longer enough money in the current account to meet these payments, an unauthorised overdraft began to build up and Mr Y incurred fees and charges for this.

When Mr Y realised that the administrator had stopped making the payments into his current account, he questioned this. It explained that Lloyds TSB had told it that the account had been repaid. Mr Y complained to Lloyds TSB that it had made an error which had caused his current account to become overdrawn and so it should put his account back into credit.

Lloyds TSB said the arrears on Mr Y's loan account had been cleared and that the administrator had misunderstood the information Lloyds TSB had sent to it. Although it did not consider that it had made a mistake, it credited Mr Y's current account with £25 for the misunderstanding.

Our adjudicator recommended that the complaint should be upheld in part. She was satisfied that Lloyds TSB had sent the message that Mr Y's account had been paid in full to the administrator and this was why the payments stopped. However, she accepted that the loan account had been kept up to date by the overdraft on his current account. She did not recommend that the balance should be written off, but she said that Lloyds TSB should refund any resulting charges or interest.

Lloyds TSB agreed with the adjudicator's recommendation but Mr Y did not accept it. He said that the overdraft had been caused by Lloyds TSB's mistake and it should put it right.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

It is not clear why Lloyds TSB told the administrator that Mr Y's account had been paid in full, when he still had an outstanding balance on his loan with the bank.

Having considered the message that was sent, this relates to Mr Y's current account rather than his loan. Although it may be considered usual practice for the repayments to be made to the current account to be used to repay the other debts, it may be that this is where the confusion lies.

At the time the message was sent, the current account was in a position of credit. Also, the repayment plan for the loan had come to an end and it was no longer in arrears. I understand it was then no longer with Lloyds TSB's collections department. It is possible that it was this that prompted the message being sent.

In receiving this message, the administrator of Mr Y's debt program believed that payments to Lloyds TSB were no longer required and so it stopped making them. But the direct debit for the required loan repayments continued to be taken causing the overdraft.

I agree with the adjudicator that it is likely that the stopping of these payments has meant that money could be redistributed to Mr Y's other creditors, or returned to him. The balance of the loan debt still needed to be met and has been maintained by the direct debits. Mr Y would always have needed to meet these repayments albeit in another way. Lloyds TSB has paid Mr Y £25 in recognition of the misunderstanding, and has offered to refund the charges and interest that accrued on his current account from June 2012 to date. I also understand that an ongoing repayment plan for the loan has been agreed.

In all the circumstances, I am unable fairly to conclude that Lloyds TSB should not expect repayment of the remaining amount of the overdraft.

my final decision

My decision is that I uphold this complaint in part. In full and final settlement, I order Lloyds TSB Bank plc to refund the interest and charges applied to Mr Y's current account from June 2012 to the date of settlement.

Cathy Bovan
ombudsman