

complaint

Miss B complains that Lloyds Bank PLC has notified her that it will pass her overdraft debt to its recoveries section which will result in a default being placed on her credit file.

background

Miss B opened a student account in December 2015 with an agreed overdraft limit of £1,500. When she opened the account, Lloyds told her in the account opening documentation to make regular payments into the account while she made use of the facility. It also noted told her to *"remember all overdrafts are repayable on demand, even when we have agreed them for a specific period"*. Miss B signed to agree to these conditions.

By May 2016 she had all but used up her overdraft facility. At this time she complained that she hadn't been made aware that she had to pay money into the account and the bank paid her compensation of £200. The bank passed her debt on to its collections department, where it remained for 15 months with a payment plan of £15 per month. This is a short to medium term facility before the debt is passed to Lloyds' recoveries team – and it's at this point a default is logged. Lloyds keep debts in collections for a maximum of 18 months.

Miss B didn't pay anything into the account in July 2017 and Lloyds decided to pass the debt to its recoveries section.

Miss B's complaint was considered by one of our investigators who didn't recommend that it be upheld. She thought Lloyds had not been wrong in what it had done. Miss B didn't agree and said she was willing to arrange payment plan and as a student she didn't have the means to repay the debt.

my findings

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

Ultimately the responsibility for managing an account lies with the customer. I am not persuaded that the bank has made any errors in how it has applied the overdraft charges or in passing the debt to its recoveries section. Miss B has had the use of money and she was told when she opened the account that any overdraft could be repayable on demand and that she should pay money into the account.

The bank reiterated that when she complained in 2016 and paid her compensation of £200. She still owes over £1,300 and I am not aware that she could repay that in the remainder of the 18 month period the bank allows for short term respite. It would appear her financial difficulties are more long term and the bank has offered her an alternative in which the debt is passed to recoveries and I believe interest and charges are frozen. That seems reasonable. I appreciate that she has a limited income and she wishes to make payments to reduce the account without having a default registered, but the bank is not obliged to offer her another repayment plan. I appreciate that Miss B will be disappointed. But I do not believe I can uphold her complaint.

my final decision

My final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 4 December 2017.

Ivor Graham
ombudsman