

## **complaint**

Mrs F complains that Lloyds Bank PLC made errors in providing information to her debt management company with the result that she made payments to two debts instead of to just one.

## **background**

I should say at the outset that Lloyds has raised jurisdiction issues about this case, which have been considered by a colleague ombudsman. She found the case to be in jurisdiction and therefore one this service could consider on its merits. And although Lloyds has subsequently continued to raise jurisdiction points I can confirm that that matter has been decided and I shall not be revisiting it.

In 2006 Mrs F had two outstanding balances with Lloyds (an overdraft and a personal loan) that it transferred as a consolidated debt to its recoveries department. Mrs F had a number of other debts and was working with a debt management company (DMC). The DMC says it received two balances from Lloyds – the consolidated balance and the overdraft. Mrs F thereafter made payments to Lloyds, via her DMC, to both balances. But as the overdraft was already included in the consolidated balance, she was effectively paying a non-existent debt.

In November 2013 Lloyds sold Mrs F's debts to a debt collection company (DCC), and from that point her DMC made payments to that company instead of to Lloyds.

Mrs F says she became aware that she had been paying a non-existent debt in 2016 and she complained to Lloyds.

Lloyds provided a detailed explanation of what had happened to Mrs F's debts over the years since the transfer to its recoveries department. It stated the balances on Mrs F's two accounts at the time of that transfer and at the time of the subsequent sale to the DCC. It said that the reason that the consolidated balance was separated back into two separate balances when it sold them to the DCC was that this was a condition of the sale.

Lloyds confirmed that all of Mrs F's repayments had been correctly credited to her consolidated balance. And it also said that the initial involvement of Mrs F's DMC with Lloyds had taken place too long ago now for the bank to confirm what information it had passed to the DMC about her debts. But Lloyds didn't believe it had mistakenly told the DMC that Mrs F should be repaying two balances.

But Lloyds paid Mrs F £40 compensation for the confusion that had been caused.

Mrs F was dissatisfied with Lloyds response and so she brought her complaint to us. In summary she held Lloyds responsible for passing incorrect information to her DMC, which had resulted in her making payments to a non-existent debt. And she wanted the bank to refund those unnecessary payments.

Our investigator looked in detail at the repayments made by Mrs F from 2006, the date that Lloyds had transferred her consolidated balance to its recoveries department. And he concluded that they had all been correctly reflected in Mrs F's balances, which Lloyds then sold on to the DCC in 2013.

Our investigator confirmed that the only incorrect record of the balances appeared to be that held by the DMC. He noted that Lloyds had consolidated Mrs F's two debts in December 2006. And on 29 January 2007 the DMC had written to the bank confirming the two balances it held for Mrs F, one being the consolidated debt and the other being the overdraft. In its letter the DMC referred to the latter as a duplicate balance. Our investigator therefore considered that it was more likely than not that Lloyds had incorrectly provided the DMC with these two balances. And if the details provided in the DMC's letter of 29 January 2007 hadn't matched those held by Lloyds, he would have expected the bank to have corrected the DMC.

Having considered that it was in all probability the bank's fault that Mrs F had been repaying a non-existent debt, our investigator then considered her request for a refund of these payments. But he said that the payments had gone to repaying her overall debt. And considering that Mrs F had 13 other creditors at the time, his view was that if she hadn't been paying the non-existent debt, that money would most likely have been split between these other creditors or been allocated to an alternative debt.

But his view was that Lloyds should pay Mrs F an additional £150 for the worry and upset she'd been caused when she discovered that she'd been paying a non-existent debt for some years.

In line with our normal practice the investigator sent his view on the complaint to Mrs F and to Lloyds asking for comments by a specific date. Recognising that Lloyds remained unhappy that we were even considering the complaint he said that if he didn't hear from the bank he would assume it wanted an ombudsman's decision on the merits of the case. Lloyds didn't reply, and so the complaint has come to me.

### **my findings**

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

In essence Mrs F is complaining that for a number of years she made repayments to Lloyds for a non-existent debt and she wants the money to be refunded.

Lloyds states as a fact that in December 2006 when it transferred Mrs F's two debts to its recoveries department it did so as a single consolidated debt. It has more recently said that recoveries staff would only have been able to see one consolidated balance from 2007 (although I note Lloyds hasn't said when in 2007), and so anyone calling about Mrs F's debts, in particular her DMC, would only have been able to discuss a single figure. But the fact remains that in a letter of 29 January 2007 from the DMC to Lloyds proposing repayments towards Mrs F's debts the DMC set out details (account name, account number, reference number, amount and offered repayment) for both the consolidated debt and the overdraft. And from that point Mrs F made repayments to both the consolidated debt and the non-existent separate overdraft.

This was all a long time ago now and there is little hard evidence to shed light on how this error arose. Both Lloyds and the DMC assert that they were not responsible for the DMC's records being wrong. But it is my view that it was primarily Lloyds responsibility to ensure that the figures on which it and the DMC were working were correct. Lloyds was the debt owner and it had the authority to agree, or not, the DMC's proposed repayments. But it agreed repayments towards a debt it was not owed, and then accepted those repayments

for a number of years. As the organisation holding the definitive information about Mrs F's debts I would have expected Lloyds to have checked the details in the DMC's letter before agreeing a repayment arrangement. If it had done so, it would have realised that a mistake had occurred somewhere along the line, and it should have informed the DMC. In my judgment it is therefore entirely reasonable to hold Lloyds responsible for the incorrect records held by the DMC, and consequently for the fact that Mrs F made repayments to the bank for a number of years for a debt she did not owe.

Mrs F would like Lloyds to refund these overpayments, but I do not agree that it should do so. All of Mrs F's payments to Lloyds were used to reduce her outstanding debt with the result that she will repay that debt rather sooner than she might otherwise have done. And Mrs F had many other debts that she was repaying with the help of the DMC. Mrs F will know that the way the debt repayment system works is that the DMC calculates the money she has available to repay her debts after allowing for her essential outgoings and living costs. It then allocates this remaining sum across Mrs F's creditors and agrees repayments with them. It is therefore very likely in my view that if Mrs F had been paying less to Lloyds this would merely have resulted in her paying more to some of her other creditors rather than to her retaining that money herself. Mrs F has not suffered a financial loss as a result of repaying more than she need have done to Lloyds for a number of years.

But I recognise the very significant worry and distress caused to Mrs F when she discovered that she had been repaying a non-existent debt, and her concern that that money might somehow have been 'lost' and not properly accounted for by the bank. It is my view that in not verifying the information contained in the DMC's letter of 29 January 2007, and consequently accepting repayments for a debt it was not owed, Lloyds should reasonably be held responsible for the subsequent distress caused to Mrs F. I know Lloyds has already paid Mrs F £40, but I judge it should now make an additional payment to her of £150 as fair and reasonable compensation for the distress and inconvenience it has caused her.

### **my final decision**

My decision is that I uphold this complaint in part, and in settlement require Lloyds Bank PLC to pay Mrs F an additional £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 30 August 2019.

June Brown  
**ombudsman**