

## **complaint**

Miss L complains that The Co-operative Bank Plc passed her Professional Career Development Loan (PCDL) account to a debt recovery service unfairly when she wasn't behind on her loan payments.

## **background**

Miss L took out a PCDL with The Co-op in 2013. In 2016 the Co-op wrote to tell her that because it had failed to comply with the Consumer Credit Act 1974 (CCA), it was refunding interest and charges applied to the loan after 31 October 2014. This meant a refund of £975.92 so the loan balance was reduced to £4,449.36. There was no further interest applied to the account.

Because the balance of the account changed, the Co-op told Miss L the loan would be paid off sooner. But she said she'd prefer to reduce the monthly payments and keep the same term. Eventually it was agreed she'd pay £114.25 instead of the original monthly payments and a new agreement was issued. But in 2018, due to administrative errors in the Co-op, the account was marked as in default and the loan was passed to a debt collection agency.

Miss L was very upset about this and contacted the Co-op on several occasions to try and sort things out. When she made a complaint, the Co-op upheld her complaint because it recognised it'd made mistakes and offered her £200 as compensation though it said it couldn't take the loan back from the debt collection agency as Miss L wanted. As she wasn't happy with this, Miss L came to this service. Our investigator thought the Co-op had done what it could to put things right so he didn't think it needed to do anything more. But Miss L disagreed so it came to me for review.

After considering all the circumstances, I felt the compensation should be increased so I issued a provisional decision to that effect. I haven't received any further comments since then so my findings remain unchanged as set out below.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. The Co-op's accepted it made mistakes and Miss L's account shouldn't have been sent to a debt-collection agency because it wasn't in default. So, I need to consider whether or not the Co-op's done enough to put things right. This means taking into account the impact the Co-op's mistakes have had on Miss L.

I understand that interest is frozen on the account so Miss L won't suffer financially because the loan's now with the debt collection agency. And this kind of loan isn't recorded on credit files so Miss L's credit score won't be affected by the Co-op's mistakes. But looking at the level of upset this has caused Miss L, I find the compensation needs to be higher than the Co-op's offer.

This is because she was told her loan was in default when it wasn't and found her debt being passed to a debt collection agency when it shouldn't have been. This must've been very worrying for Miss L and she's told us how stressful she found it trying to sort things out. She had several long calls with the Co-op having to explain her financial situation at length in office hours and getting different answers from different people. She's now left in the situation where her debt is being managed by a debt collection agency rather than the Co-op

who she took it out with. Although this doesn't have a financial impact, based on what she's told us, it clearly makes her uncomfortable and this situation will carry on until the debt's paid off because the Co-op says it can't take the debt back. Because the situation can't be corrected and given the time it's taken to deal with the problem and the level of upset Miss L's suffered, I think compensation of £500 is appropriate.

Miss L's complained that she thinks passing her details to the debt collection agency was a breach of data protection law but I won't deal with this part of her complaint here as I understand she's going to take this up with the Information Commissioner's Office which is the regulator for data protection and is better placed to address this.

She's also complained that the outstanding balance is incorrect because she says the Co-op should've paid back more interest in 2016. Having looked at the statements, I can see the Co-op paid £975.92 which was the amount of interest she'd paid on the loan after the end of October 2014. There was interest applied to the loan before that date but this wasn't part of the refund she was due. So based on what I've seen, I think the Co-op's calculated the balance correctly.

### **my final decision**

For the reasons given above, it's my final decision that this complaint is upheld in part.

The Co-operative Bank Plc should pay Miss G £500 as compensation for the trouble and upset it's caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 27 April 2019.

Susie Alegre  
**ombudsman**