

## **complaint**

Mr A says that when Lloyds Bank plc sold his debt onto a credit management company it hadn't correctly worked out what he still owed.

## **background**

Mr A had a current account with Lloyds. In 2002, 2004 and 2005 he also took out loans with the bank. Mr A stopped making the repayments that were due in July 2006, when he fell ill and was pursuing a claim on his payment protection insurance (PPI) policy.

Later in 2006, Lloyds and Mr A agreed a plan which meant that he would make reduced monthly payments of £50 towards his outstanding debt. In 2010 it was agreed that his repayments would be reduced further, this time to £20 a month. Mr A has continued to make these payments.

Lloyds decided to sell Mr A's debt to a credit management company in 2015. Mr A says that the amount it reported as outstanding was incorrect. In particular, he says that the loan he took out with Lloyds in 2005 was partly used to clear the outstanding balance on his previous loan. And he says that he didn't receive letters informing him about what was going on.

Lloyds said that its calculations were correct and that it wrote to Mr A to let him know what was happening.

Our investigator didn't uphold this case. Mr A didn't agree and so his complaint has come to me for a final decision.

## **my findings**

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

I'm not upholding Mr A's case. I know that he'll be disappointed, but I'll explain why I've reached this decision.

When I look at a complaint I have to be fair to both sides. I have to look at all the evidence, including what both parties have said. Where I don't have perfect information then I have to decide on the balance of probabilities what's most likely to have happened.

Lloyds has given us various documents to review, including the loan agreements signed by Mr A, statements from his loan and current accounts and notes from its customer contact system.

I can see that Mr A took out a loan for £2,875 in 2002 to buy a car and payment protection insurance (PPI) for his loan.

In 2004 Mr A arranged another loan for £6,197; again this included the cost of PPI. The main purpose of this loan was for home improvements. I can see from the credit agreement that some of the funds were also used to clear the outstanding balance on his 2002 loan. Lloyds contact notes from 2004 say "Existing loan settled in branch...Refinanced as customer only wants one payment per month".

Mr A took out a further loan in 2005, again for home improvements. He borrowed £ 6,168, which included the cost of his PPI policy. But this time the credit agreement doesn't show that he used some of the money to offset the remaining balance on his 2004 loan. And Lloyds contact notes from the time say "Customer looked at refinancing existing loan but would have worked out dearer each month by £7 and would have taken back over 60 months when 12 months has already been paid".

On the other hand, Mr A has provided us with a copy of a letter that his representative at the time received from Lloyds in relation to a separate complaint he had about the sale of PPI on his 2005 loan. A paragraph in that letter is relevant to my consideration of this case. Under the heading *Multiple Agreement*, Lloyds said "...we can confirm that your client [Mr A] voluntarily chose to use part of their loan to discharge their previous debt..."

So I can understand why Mr A says this shows that his final loan paid off his 2004 loan. But Lloyds says that its case handler made a mistake when he added this paragraph to the letter. And I think there's other important evidence to show what actually happened.

Lloyds has given us copies of Mr A's statements for his current and loan accounts. These support what's set out in the loan agreements. For example, I can see that Mr A's 2002 loan was settled in October 2004 by a credit transfer from his new loan. This transaction is shown on both loan accounts, and on the same day, as I'd expect.

When I look at Mr A's loans statements in 2005, there are no transactions on either his 2004 loan account, or his then new 2005 loan account which show a transfer of funds to clear older loan. But I can see that until the middle of 2006 Mr A was actually making payments on both outstanding loans. If this had been wrong I think he'd have contacted Lloyds to query what was going on.

Mr A says that when he took out his 2005 loan he was told by an advisor at Lloyds that he needed to pay £2,000 to clear his 2004 loan. His new loan was credited to his current account in October 2005. While I can see that on the same day there was a debit card transaction of £2,000, these funds didn't flow to his 2004 loan account. I don't know what this debit was for, but as the outstanding balance on Mr A's 2004 loan at this time was in excess of £5,000, it wouldn't have been sufficient to clear his older loan anyway.

It's possible that Mr A is mixing up what's happened between each of his 3 loans with Lloyds. After all, the events that gave rise to his complaint happened over a decade ago. Memories can and do fade.

Any confusion may've been compounded by what I believe is an error in the letter Lloyds sent to Mr A about his PPI complaint. I think it incorrectly suggested his 2005 loan had been used to clear his previous loan. And further, when in 2006 Mr A and Lloyds agreed a plan for reduced payments, its practice at the time was to roll his debt into one account and the reference it used for this was the same as his 2005 loan account.

Nevertheless, I find the loan agreements between Mr A and Lloyds, the information recorded on his statements and Lloyds' customer contact notes compelling. This is because together they provide strong evidence from the time about what loans were taken out, what they comprised, how credits were made to his current account, and what payments he made to his loan accounts.

Although I've found that there was an outstanding balance on Mr A's 2004 loan, I've still gone on to check whether Lloyds calculated the outstanding balance on all his accounts correctly before transferring the debt to a credit management company. Having looked at the statements from his accounts I think that is has.

Mr A has raised concerns about various important letters Lloyds says it sent him, but which he says were never received. For example, letters informing him that his debt had been assigned to a credit management company. I don't know what's happened to these letters. But I've not seen anything that makes me think that Lloyds didn't send them out. I can also see that it's been using his correct contact details. So I can't fairly say it's done anything wrong here.

I know that Mr A finds it suspicious that Lloyds can gather evidence from as early as 2002 about his loan accounts, but hasn't kept copies of more recent important letters that it says he was sent. I know that Mr A finds this frustrating, but I've no reason to think anything underhand has happened. I don't think the documents Lloyds have been able to supply have been constructed after the event. And these provide the telling evidence in relation to his complaint.

So, I think Lloyds was acting within its terms and conditions when it decided to assign Mr A's debts to a credit management company. I think it did so while taking reasonable measures to inform him about what was happening. And I think the information it provided to that third party about the debt outstanding was an accurate record of what Mr A owed.

### **my final decision**

For the reasons given above, I'm not upholding this complaint. I make no award against Lloyds Bank plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 7 September 2017.

Kevin Williamson  
**ombudsman**