

complaint

Mrs K complains that Lloyds Bank PLC paid debt collectors, rather than her, a refund of charges on her account. She thought that she had cleared the balance with the debt collectors so the charges should've been refunded to her.

background

Mrs K held an account with Lloyds. There was an overdraft on this account. Lloyds say that the account was defaulted in 2012. Then, in November 2014, the debt was sold to another agency (D). They say that the closing balance was £2,756.82.

Mrs K says that she was contacted by D at some point. She says she was asked to make a payment to clear the balance which she says that she did.

Lloyds carried out a remuneration project. This resulted in refunds for their customers where Lloyds believed they had been charged too much in charges for their overdraft.

In March 2018, Mrs K was refunded £251.86. Then in March 2019, a further refund of £938.13 was made. Both of these refunds were sent to D. They say that the outstanding balance was then reduced to £1,566.83.

Mrs K contacted Lloyds to say that the refunds were rightfully hers as she had cleared the debt. Lloyds didn't agree with this. They said that they had no evidence of the debt being cleared.

Mrs K wasn't happy with this outcome so she came to us.

Our investigator couldn't find evidence any repayments on the account. She found that the debt had been correctly sold to D and that D were entitled to the refund of the charges to reduce the amount owed.

Mrs K wasn't happy with this outcome so it has now 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.

I'm afraid that Mrs K won't be happy with my decision. From what I have seen, I think that the refunded charges should go towards paying off the debt that D hold. I will explain why.

Firstly, I would like to explain that I'm aware that Mrs K said that she had asked for information from Lloyds a number of times over many years about how the debt accrued. This forms the basis of a different complaint and I won't consider it here.

I'm looking at whether the refunded charges should've been paid to Mrs K instead of to D. In considering this, I've had to decide whether, based on what I've seen, a debt was outstanding.

I've looked at the closing statement that Lloyds have sent and it shows clearly that the closing balance was £2,756.82 in September 2012.

I've seen further evidence from D showing that there was a repayment of £10 but there've been no further repayments.

I'm aware that Mrs K said that she paid £670 to D. But I've been unable to find any evidence of this. This might be uncovered in the second complaint that Mrs K has started. But there is nothing that I've seen which shows that it was paid.

So, I can't say that the debt was paid off. Because of this, I think that Lloyds behaved fairly and reasonably in refunding the charges to D rather than to Mrs K, as this reduced the debt that is owed.

I'm sorry that this isn't the outcome that Mrs K was hoping for.

my final decision

Because I think that a debt is still owed to D, I think that Lloyds Bank PLC were right to pay the refund charges to D. So, I don't require them to do anything else.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 11 March 2020.

Rita Parmar
ombudsman