

complaint

Miss M wants Bank of Scotland plc (BoS) to pay the refund they have offered on the interest charged on her loans directly to her. At present, BoS want to pay that amount to the new debt holders to reduce the balance on the debt. Miss M disagrees.

background

Miss M took out a number of loans with BoS over a period of just under three years. The loans were for increased amounts and were used to refinance existing debt. Miss M couldn't meet the repayments on the last of these loans, and entered into a repayment plan. BoS eventually sold the debt on to a third party.

Miss M complained to BoS that they shouldn't have given her credit after credit given that she was struggling financially. BoS offered Miss M a refund of the interest that she paid on these loans.

Miss M doesn't complain to us about the amount BoS are willing to refund. But Miss M wants the money to be paid directly to her. BoS have said that they will refund the money to the third party so that the balance of the loan amount is reduced.

Miss M wants to know why BoS are allowed to do this when they have sold the debt off to a third party. She also says that previously refunds have been paid out directly to her and so they should on this occasion too.

Our adjudicator didn't uphold Miss M's complaint as she thought it was reasonable for BoS to pay the refund to the third party to reduce the debt.

Miss M didn't agree with the adjudicator and the complaint has been passed to me to consider.

my findings

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

Having done that, I don't uphold Miss M's complaint.

First of all, the fact that BoS have previously paid refunds to her directly, doesn't stop them from paying the refund to the debt holder on this occasion. We consider each case on its merits and so I won't be commenting on why the refunds were paid directly to her on previous occasions.

Miss M questions the authority BoS have to use the refund to lower a debt owed to a third party. I can't see what would stop BoS from being able to do this. But the authority isn't the question I really need to consider here. It's about what's fair and reasonable in the circumstances of this case.

So I've then gone on to consider whether refunding the interest to reduce the debt causes unfairness to Miss M. I don't think it does. Miss M's initial complaint to BoS was essentially that she ended up with a higher debt because of BoS repeatedly lending her money. BoS have agreed to refund the interest paid to lower that debt. The way to do that would be to

pay the third party the money directly so that the debt could be reduced. And that's what they've said they'll do.

So having carefully considered the circumstances in this case, I don't think what BoS are proposing is unfair. And it seems to me that refunding the interest to the third party to lower Miss M's debt is the right thing to do in this particular case.

I'll now leave it for Miss M to liaise with BoS direct if she wants to accept its offer to refund the interest to the third party.

my final decision

I don't uphold Miss M's complaint against Bank of Scotland plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 15 February 2016.

Navneet Sher
ombudsman