

## **complaint**

Mr and Mrs H complain about a lack of support and understanding from Lloyds Bank PLC when they told it about a drop in their household income, caused by Mrs H becoming very seriously ill and unable to work during her treatment.

## **background**

Mrs H was unfortunately diagnosed with cancer, in December 2017. She had a loan held jointly with her husband, and a credit card account, both with Lloyds, but she realised going into New Year 2018 that she wouldn't be able to carry on working, which meant a significant drop in the household income. She and Mr H wouldn't be able to maintain the previous payments on the loan and the card.

Mrs H contacted Lloyds and told it about her diagnosis. She got a letter from it on 30 January saying that her case had been passed to the priority team, but then she heard no more. She told us about a series of mistakes that Lloyds then made, including freezing her current account, although that has never been in arrears, taking a loan payment that she'd already told Lloyds she couldn't afford, so that the direct debit for her mortgage payment bounced, requesting medical and income evidence after that had all been sent, and returning payments she tried to make towards the debts.

She sent Lloyds all her medical evidence and income and expenditure information in February but didn't get any payment plan. She did get a further letter in March saying her account had been passed to recoveries. Mrs H decided that she would be able to pay £20 per month towards her loan and the same towards her credit card, so she started to do that.

She told us she received default notices in April for her credit card, and in May for her loan. She got a second default notice for her loan in June. She said she called collections in late June and asked it to stop recovery as she was making payments, but it just started to charge her interest on the loan again. Lloyds has since said that was a mistake too, and refunded that interest.

Mrs H thought her treatment by Lloyds compared extremely unfavourably with other lenders, who had simply allowed her to enter into a payment plan. She said that this had caused her to despair, and had actually been far harder to deal with than her illness.

Mrs H's loan was placed on a payment plan in November 2018. But around the same time, her credit card debt was sent to an external collections agency. Shortly after, Mrs H wrote to Lloyds detailing the extent of her distress, and saying that as a result of what it had done, she planned to refuse further treatment for her illness, as she was no longer able to cope.

In early January 2019 Lloyds said that it had brought Mrs H's credit card debt back in house, because of further contact from Mrs H.

Lloyds said that this complaint was about Mrs H's credit card. It wanted any complaint about her loan to be treated separately.

Lloyds has sent us notes of conversations that its debt collections team has had with Mrs H. It does have a dedicated cancer support team too. But it says that this cancer support team has no notes of discussions with Mrs H. It thinks that team has never spoken to her.

Our investigator thought this complaint should be upheld. She thought Lloyds had initially responded appropriately to Mrs H.

Our investigator knew Mrs H wanted Lloyds to accept an arrangement to pay. But she didn't think Lloyds made a mistake by defaulting these debts, because she thought that was in line with the Information Commissioner's principles on reporting arrears and defaults.

Our investigator said Mrs H's credit card debt was initially passed to a third party to manage. Our investigator thought that caused Mrs H further distress, and shouldn't have been done for someone who had been diagnosed with a serious illness. After Mrs H contacted Lloyds, it decided to bring the debt back in house, and set up a payment plan for the credit card, although no additional income and expenditure information had been received. Our investigator said this had gone some way to helping Mrs H and Mr H. They've said they're no longer receiving nasty letters from Lloyds, which is all they wanted.

Our investigator said that this had severely affected Mrs H, who had expressed a wish to stop her treatment because of this problem. Our investigator thought that Lloyds should pay Mr H and Mrs H £400 in compensation.

Mrs H was concerned that Lloyds had been working with another bank, to make sure that both debts were treated the same. She intended to complain about that too. But having read our investigator's assessment carefully, she decided to accept it as a fair outcome.

But Lloyds didn't. It said the original complaint was just about a default being applied to Mrs H's credit card, and that had been dealt with appropriately. Lloyds said a number of other issues, including Mrs H's loan, shared with her husband, and the lack of any payment plan, had been tagged onto this complaint, but they shouldn't be mixed up with this one.

Our investigator said it should've been clear to Lloyds from the outset what she was looking into. And the amount of £400 wasn't suggested on the basis that Lloyds was wrong to apply a default. It was suggested because our investigator felt Mrs H's case could've been handled better. She wanted an agreed payment plan, that request was turned down, but then a plan was set up later with no revised information, which rather suggested this could've been done earlier. And passing her credit card debt to external agents was inappropriate.

Lloyds then argued that there had been no complaint raised about trying to set up a repayment plan for Mrs H's credit card account, or about her credit card debt being passed to a third party agent for collection. Our investigator didn't change her mind, and as Lloyds hadn't agreed, she passed this case to me for a final decision.

### **my provisional decision**

I issued a provisional decision on this complaint and explained why I proposed to uphold it. This is what I said then:

- Before I produced this decision, I wrote to Lloyds to set out what I understood the scope of this complaint to be, and why. As I understand it, Mr and Mrs H's complaint is about how Mrs H was treated when she told Lloyds she had cancer, and wouldn't be able to keep up previous payments.
- When I wrote to Lloyds, I said I accepted that some of the issues I thought should be considered had happened after to our service's involvement in this case, but I didn't think

it would be in the interests of either Mr and Mrs H, or Lloyds, for me to divide this case into separate complaints. So I said I would consider the concerns Mrs H has raised here, along with Lloyds' response to those, in my decision. But this decision would be provisional, to allow Lloyds to respond before a final decision is reached.

- Lloyds has committed itself to supporting vulnerable customers. It has a dedicated cancer support team. I think it was clear, when Mrs H first contacted Lloyds, that she was in financial difficulties, and that her illness made her vulnerable. Lloyds' notes show it had identified Mrs H as a vulnerable customer by the end of January 2018. But, although Lloyds has a dedicated cancer support team, it doesn't seem to have referred her to that team, or mentioned it in its communications with her. It told us she's never spoken to that team. I think Lloyds made a mistake when it didn't involve that team, apparently at any point during Mrs H's illness. I think that is likely to have made Mrs H's situation worse.
- Lloyds didn't think it did anything wrong when it defaulted Mrs H's loan and credit card. It thinks if accounts are going to default anyway, it's best to do that sooner, so that the defaults come off earlier. I think that Mrs H was, unfortunately, unlikely to return to full health and full time work quickly after her diagnosis, so I think this is probably right. But it's then difficult to understand why one of Mrs H's defaults took place over two months later than the other.
- The default date recorded on Mrs H's credit file for her credit card is 7 June 2018. I think that's a reasonable point for Lloyds to have defaulted this debt, and in line with what it had said to Mrs H. The default date on the loan held jointly with Mr H, is 16 August 2018. This is rather later than I'd expect, given Lloyds' apparent commitment to ensuring a swift default. I think Lloyds should amend the default date on the loan held jointly by Mr H and Mrs H, so that it shows on both their credit files as 7 June 2018.
- Mrs H sent Lloyds income and expenditure information in February 2018. She was proactive in making payments towards both debts, even though no plan had been set up on either. She then told us she faced further difficulties, as Lloyds was sometimes returning these payments, and couldn't explain why. And, as there was no plan for either debt, she and Mr H continued to receive correspondence from Lloyds that she found distressing.
- Payment plans weren't set up for the loan until November 2018, and for her credit card until January 2019. Mrs H and Mr H have both shown us the severe impact these debts had on their credit files. I think having two defaults spread over a period of two months rather than at the same time, and then no payment plan set up for either debt for a prolonged period, is likely to have increased the impact that these problems had on Mr and Mrs H's credit files.
- Lloyds has said that it couldn't offer any plan on the debts, because Mrs H's income was below her expenditure. But it did eventually set up plans, reflecting the payments being made. It then said the delay in setting up payment plans was because Mrs H became upset on a call at the end of June. She didn't want to discuss the issues any more, as she was becoming extremely distressed with the combination of her debts and her illness.
- I think if Mrs H had received the support of Lloyds' dedicated cancer support team, this distress may have been avoided, or at least reduced. But she hasn't had that support. Instead, Mrs H's loan was retained in-house, but her credit card was passed to third

party agents to collect. Lloyds hasn't explained why that was done. It says it wasn't a mistake. But a combination of that, and the impact on her credit file which I've discussed above, seems to have significantly increased Mrs H's distress. I think it was a mistake to pass this debt to external agents. I'm glad Lloyds has now recalled this debt, and set up a payment plan for Mrs H's credit card. I think it's unfortunate the credit card debt was ever passed to agents, and that payment plans on her debts weren't set up sooner.

- A diagnosis of a very serious illness, and gruelling treatment for that, along with a significant drop in household income, was always going to be very distressing for Mrs H, and would also have a significant impact on Mr H. But I think that the way that these debts have been handled has made an already difficult situation much worse.
- I've taken into account that Mr and Mrs H were probably better off, as Lloyds suggested, by having their debts defaulted promptly. But I also have to take account of all the things that have gone wrong in this case, and in particular that although Lloyds has a dedicated cancer support team, it tells us this team has never spoken to Mrs H.
- I think, as I've set out above, that more things have gone wrong here than our investigator thought. And this is a joint complaint by Mr and Mrs H. I'm not clear that our investigator had entirely taken into account the impact on him. So I think the compensation should be more than our investigator suggested. I think that a total payment of £1,000 in compensation is the right amount to provide a fair and reasonable outcome to this case.
- Lloyds has mentioned two payments of £100 and £60 it has already made. It can count those towards the total compensation in this case. It can't count the refund of interest it made, as it appears that was wrongly charged.

Once I'd finished setting out my provisional decision, I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides have now responded, and accepted my decision.

### **my findings**

I've reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I haven't changed my mind.

Lloyds said it would do what I'd suggested, and asked where Mr and Mrs H would like the money paid.

Mrs H said that she and Mr H were pleased to accept my decision, and would like the money paid by cheque

Mrs H also asked if Lloyds could also offer some sort of apology for the way that she and her husband were treated. As they are aware, I've found that Lloyds has made some mistakes. But if I instruct Lloyds to apologise now, then I might need to issue a new provisional decision, which would delay this payment to them. I don't want to delay that money reaching them. And I also don't think that is what Mrs H is asking for. She'd like Lloyds to offer an apology, not to be made to apologise by our service. So I'll leave it to Lloyds to decide if it will apologise to Mr and Mrs H for the mistakes I've found that it has made.

I'll now make the decision I originally proposed.

**my final decision**

My final decision is that Lloyds Bank PLC must amend the default date for Mr H and Mrs H's joint loan to 7 June 2018, and must pay them a total of £1,000 in compensation. Lloyds Bank PLC can count two payments of £100 and £60 it has already made towards the total compensation in this case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 24 October 2019

Esther Absalom-Gough  
**ombudsman**