

## **complaint**

Miss P complains that Lloyds Bank plc should've paid a refund of interest directly to her rather than to her outstanding loan balance.

## **background**

In 2012, Miss P told Lloyds she was having some financial difficulties and couldn't keep up with the repayments to her personal loan. Lloyds agreed to freeze the interest and the account was transferred to its recoveries team.

In 2017, Lloyds realised that some interest had been charged to the loan when it should've been frozen. Lloyds had appointed a debt recovery agency to act on its behalf and arrange repayment of the debt with Miss P. Lloyds adjusted the loan balance by £199.45 which was the extra interest. It wrote to Miss P to say this and to apologise.

But Miss P said the money should've been paid to her instead. She thought Lloyds had paid it to the debt recovery agency without her permission and it was an overpayment she'd made so she should get the money back.

Our adjudicator thought it was reasonable for Lloyds to use the refunded interest to reduce Miss P's debt. He thought this put Miss P back into the position she would've been in if Lloyds hadn't made the mistake of continuing to charge interest.

Miss P didn't accept the adjudicator's findings and asked for her complaint to be looked at again.

## **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 do understand why Miss P feels the refund of interest should be paid to her. But I think it was reasonable for Lloyds to credit it back to the loan balance.

I've looked at Miss P's loan statement. She'd agreed to make monthly direct debit payments but these were returned as unpaid during the time when the interest should've been frozen. So I don't think Miss P made overpayments to her loan because of the mistake with the interest.

Miss P's debt is still with Lloyds – the debt recovery agency has been appointed to act on Lloyds' behalf. Lloyds cancelled the £199.45 from the loan balance, taking it back to what it would've been if the interest had been frozen as agreed. So it wasn't that Lloyds paid money to the debt recovery agency.

Overall, I don't think Lloyds acted unfairly by applying the refund of interest to Miss P's outstanding loan balance.

**my final decision**

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 1 March 2018.

Cathy Bovan  
**ombudsman**