

complaint

Mr N complains on behalf of his mother, Miss M, that Lloyds Bank PLC has not agreed to a long-term repayment plan for the debt on her credit card account. He also says Lloyds has not taken into account Miss M's mental health issues in pursuing the debt. He wants Lloyds to assist Miss M deal with her debt.

background

The details of this case are well-known to Miss M and Mr N, so I summarise them below to put my findings into context.

Miss M had a credit card account with Lloyds. She had not worked for many years and was receiving state benefits. Miss M had found it difficult to keep up the payments on her account for several years and has had numerous payment plans. In view of her health issues, Miss M had asked the bank – and it had agreed – to communicate with her only in writing.

Early in 2011, Miss M confirmed she was able to pay £60 each month. Lloyds accepted this but charged interest and also tried to contact Miss M by telephone. The bank agreed it had not handled matters well and agreed to freeze interest. Lloyds said it told Miss M this would mean the bank had to refer the outstanding balance to its collections department and issue a formal notice of default on the account, which it later did. The default notice asked for repayment of the full amount owed.

Mr N said the default notice and Lloyds' handling of the matter caused Miss M great anxiety and did not comply with industry guidelines. He did not think Lloyds had dealt with the matter properly and referred Miss M's complaint to this service.

Our adjudicator contacted Lloyds, which agreed it was willing to agree a 12 month payment plan. Mr N did not think this went far enough. Miss M's financial position had recently got worse as a result of a significant reduction in her state benefits. Mr N was making nominal payments on her behalf.

The adjudicator considered there was now little prospect of Miss M ever being able to repay the debt. Mr N provided information about Miss M's health, particularly her mental health, and the adjudicator asked Lloyds if it was willing to write the debt off.

Lloyds said it was not willing to do so and, in light of Mr N's concern that the bank should do more to help Miss M, the matter has been referred to an ombudsman for a final decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I believe the adjudicator was right to ask Lloyds to write Miss M's debt off and am surprised that Lloyds did not agree.

I am aware there has been considerable debate between Mr N and the adjudicator about whether Lloyds has complied with its own procedures and industry guidelines. Given that Lloyds has allowed Miss M to have payment plans over several years, it is hard to say that the bank has not acted positively and sympathetically to her situation.

That is not to say I think Lloyds has handled recent issues as well as it might have. There has clearly been some confusion in Miss M's and Mr N's minds about when – and under what circumstances – interest has been frozen on the account and whether payment plans were formal or informal.

Lloyds may well have acted correctly in passing the matter to its collections department in order to freeze interest. And this would mean Lloyds had to issue a formal default notice, which rightly has to confirm the full amount due. But if the communication is not clear throughout the process it can lead to unnecessary anxiety on the part of the consumer. I can see this is the case here, and Lloyds has not ensured it – or its agents – have always contacted Miss M in the agreed format.

I believe Miss M's health – and particularly her mental health – is such that it should form a key consideration for Lloyds in deciding the best course of action. Similarly, I consider the prospects of Miss M being able to make any future payments to clear the debt are remote – at best. I have no reason to doubt Mr N's description of Miss M's latest financial position.

He has provided clear information in the past, which has enabled Lloyds to agree payment plans over several years. So I am satisfied he is sincere in what he says – and he has made nominal payments himself.

Combining the above, I believe the best course of action is for Lloyds to write the debt off.

I consider this is not only fair and reasonable to Miss M but it should have advantages for Lloyds. It will not incur on-going costs (including those of any agents it uses) in managing a debt that will never be repaid. I see writing the debt off as the pragmatic solution. The long-term repayment plan Mr N was seeking would be so long-term as not to be practicable.

my final decision

For the reasons I have given, my final decision is that I order Lloyds Bank PLC to write off the debt arising from Miss M's credit card account.

Andrew Davies
ombudsman