

complaint

Mr Z complains, with the help of his representative, that Lloyds Bank PLC chased him for a debt of over £78,000 which he didn't owe.

background

Lloyds says it lent Mr Z £25,000 in 2009 which it paid into the joint account he held with his wife. He says they've never had this money and he says Lloyds told him in a recent telephone conversation that it's a computer error. This situation has affected his health and he wants £20,000 compensation.

Lloyds said it applied a hold on Mr Z's loan in 2011 but interest continued to grow on it. Due to an error which happened when it changed its debt management system, the hold was removed and the debt was referred to an agency to collect repayment. It apologised and said that it would waive the debt in full, delete the loan record from his credit file and pay him £200 as compensation for the distress and inconvenience it'd caused.

The adjudicator thought Lloyds had done enough to put matters right. She listened to the phone calls and concluded the bank's representative explained that there were two systems errors. The first was that Lloyds didn't remove the hold in 2011. The second was that it was removed as a result of a move between debt management systems in 2018 which led to it erroneously sending a letter to Mr Z demanding repayment. But she thought the actions Lloyds had taken to put this right were fair and reasonable.

Mr Z didn't agree. He said he was going to take court proceedings because of the breach of trust and the financial hardship he and his wife have suffered. But he would wait for the Ombudsman's final decision first.

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 can see from Mr Z's loan statements that it appears repayments were made for over a year after the £25,000 was paid into his and his wife's bank account. But I can't see any repayments from the end of 2010. And I can also see from Mr Z's joint account bank statements that the money was paid in and the majority of it withdrawn over the counter and by debit card a few days later.

I can't make a decision on the circumstances around the loan application and what happened to the money after the loan was granted as that would be a separate complaint and could be time barred. If Mr Z wishes to pursue this the adjudicator will explain the next steps to him.

But I can say that, from the information the bank had, it wasn't unreasonable for it to proceed on the basis that the loan application had been processed correctly and the money was due to be repaid under the terms of the agreement.

Mr Z's representative says the bank has agreed there was a computer error. But I'm satisfied that the mistake the bank has accepted is that there was a systems error in processing the debt. It didn't accept that it didn't give the loan to Mr Z in the first place.

Lloyds said it placed the loan on hold when arrears began to build up on the account. It didn't manage that process properly and eventually, sometime in around 2017 or 2018 it passed the debt to an agency to collect. It said it shouldn't have done that. It's waived payment of the debt, adjusted Mr Z's credit record. And it's paid him £200 for the trouble and upset that it's caused him. I think that's fair and reasonable in the circumstances so I'm not going to ask it to do anything more.

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 Mr Z to accept or reject my decision before 4 August 2019.

Linda Freestone
ombudsman