

complaint

Mr V's complaint arises out of the way Lloyds Bank plc (then Lloyds TSB) dealt with his financial situation when he was grieving over a close relative.

background

After the death of a close relative, Mr V realised he couldn't afford the loans and other credit Lloyds had given to him. He complained to the bank, who agreed that its agreement to lend had caused Mr V to become over-committed. Lloyds offered to write off part of the debt, and accept reduced payments towards the remaining balance. Mr V accepted this proposal.

However, Mr V soon became concerned that Lloyds hadn't implemented all parts of the agreed settlement. And he told the bank he'd over-stated the amount he could afford to repay it. In fact, it was unlikely he'd be able to pay it anything other than a nominal amount, depending on rental income he received from letting his late relative's former property. He and the bank corresponded at some length over his financial position and whether anything further could be done.

Although Lloyds agreed to accept £1 monthly payments on each of Mr V's remaining debts, it – through a third party agent – continued to call and write to him chasing payment and proposing recovery action. Mr V says this action was harassment and caused him great distress at an already difficult time. He thinks the bank shouldn't have involved a third party agent. He's pointed to several shortcomings on the bank's part that he believes warrant compensation. And Mr V wants Lloyds to consider writing off some – or all – of the remaining debt. He says he's got no realistic means of repaying it.

Our adjudicator felt there had been some maladministration in the way Lloyds had implemented the original settlement. He suggested the bank rectify this by applying £213.47 against the outstanding debt, representing payments Mr V had made that hadn't been correctly credited. The adjudicator also recommended Lloyds refund any charges it might have added to Mr V's loans because of its failure to implement the settlement correctly. And he proposed it pay Mr V £250 compensation, to reflect his distress and inconvenience.

Lloyds agreed to the adjudicator's recommendation. But Mr V didn't accept it. He didn't think it adequately reflected the detriment to his health the bank's actions had caused. He felt the bank had been aggressive in its collection activity, and had made a number of errors. So he asked for his complaint to be reviewed.

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 recognise Mr V has suffered a great deal of distress over his relative's death. And I've no doubt his subsequent dealings with Lloyds haven't helped that situation. But as the adjudicator tried to explain, not all of Mr V's distress was necessarily the bank's fault. I'd expect the bank to deal sensitively with anyone in Mr V's situation. I don't think that's quite the same as saying the bank should put matters on hold for an indeterminate time because of a consumer's grief. At most, I might expect a lender to give some forbearance, perhaps for a few weeks. If, at that stage, a consumer were unable to deal with his financial affairs himself, he would need to decide whether to seek third party assistance. Indeed, I understand Mr V ultimately did take such a step.

In this case, Lloyds appears to have agreed to give a few months' grace towards the end of 2010, in part because at that time Mr V had an ongoing complaint about the loan provision. I can see why Mr V was caused concern when the bank continued to seek recovery despite this arrangement. And Lloyds compounded this error through late 2011 and early 2012. On both occasions, this seems to have been due to poor internal communication between different areas of the bank. But whatever the reason, it's right Mr V should receive compensation in recognition of his distress at this, and other shortcomings on the bank's part. Mr V has pointed to inaccuracies in correspondence and missing payments as examples of this.

Be that as it may, it doesn't necessarily follow that Lloyds acted unfairly over the repayment arrangements for the residual balance of Mr V's borrowing. Once it became apparent Mr V's monthly income was insufficient to sustain anything other than nominal payments, the bank's been accepting these. The parties engaged in continued discussion, mainly centred on Mr V's concern over his inability to repay the debt. He's asked the bank – and latterly, this service – to consider whether the debt should be written off, as he says there's no realistic prospect that it will be repaid.

Lloyds isn't willing to do this. Having reviewed all Mr V's said, I'm not minded to suggest it reconsider. I say this primarily because, while Mr V is demonstrably unable to maintain monthly payments, he has property assets that significantly exceed the amount he owes to Lloyds. It may be difficult for Mr V to contemplate selling either of his properties – particularly the one that belonged to his late relative. And I can entirely understand the comments he's made to the adjudicator over this matter. But given that he borrowed the money, and has the assets to cover that borrowing, I don't think it's reasonable for Mr V to expect Lloyds to write off any more money.

I'm also conscious that Mr V would like me to comment on the bank's involvement of a third party agent in its recovery activity. I know he feels strongly about this matter. I take the view that in this case, that was a decision Lloyds was entitled to take. Granted, the bank's correspondence led Mr V to think all of his debt would be managed by its consumer debt recovery department. But I don't believe that's sufficient reason for me to say the bank was wrong to take the decision it did, or to tell it to recall management of the debt from its agent.

Overall then, while I can accept Lloyds had some part to play in the overall distress Mr V has experienced since 2010, it's not entirely at fault in the way Mr V suggests. After very careful consideration, I think the adjudicator's proposal a fair way to resolve Mr V's complaint. Lloyds has agreed to offer this as a settlement. So it's now for Mr V to decide whether, in light of my findings, he's minded to accept it.

my final decision

My final decision is that I uphold Mr V's complaint in part. In full and final settlement of it, Lloyds Bank plc should:

1. reduce Mr V's outstanding balance by £213.47;
2. refund any charges it has applied to Mr V's debt as a consequence of its failure to implement the agreed settlement correctly in 2010; and
3. pay Mr V £250 in recognition of his distress and inconvenience

Niall Taylor
ombudsman