

complaint

Ms M complains about the administration of a Professional Career Development Loan (PCDL) by The Co-operative Bank Plc. She says Co-operative Bank acted unfairly by referring the loan to a debt collection agency when she fell behind with payments and not reinstating it when asked. She also says she was prevented from paying the loan off in full.

background

Ms M should have started paying back her PCDL in September 2011 but, due to unforeseen personal circumstances, she did not do so. Co-operative Bank says it spoke with Ms M in October 2011 and explained the course of action it would take if payments were not made. It says it did not hear from Ms M again until January 2012.

As Ms M did not make any payments, and did not respond to its letters, Co-operative Bank defaulted and then terminated the PCDL account. It applied to the government scheme to recover the capital borrowed and began the process of referring the PCDL to an external debt collection agency.

Ms M contacted Co-operative Bank and the debt collection agency in January and February 2012 to pay the account off in full. However, Co-operative Bank said it could not take payment from her as it no longer had an active account on its systems. The debt collection agency was also unable to take payment because it had not yet received details of the account.

Ms M says she does not want to make any payments to the debt collection agency because she is concerned about the impact this might have on her credit file. She wants Co-operative Bank to reinstate the PCDL and accept payments directly from her. Co-operative Bank says it cannot do this.

Our adjudicator did not think Co-operative Bank had acted unreasonably by referring the PCDL to the debt collection agency. However, he did think it should pay Ms M £50 for the distress and inconvenience caused when she was unable to make any payment in January and February 2012. He also recommended that Co-operative Bank remove any interest added to the account after February 2012.

Co-operative Bank said interest was not added to the account after it was referred to the debt collection agency. And it did not accept that it should pay anything for distress and inconvenience.

Ms M was also not happy with the adjudicator's findings. She remained concerned about the impact that payments to the debt collection agency might have on her credit rating. She was also concerned that ongoing interest and charges might be added to the account.

my findings

I have considered what Ms M and Co-operative Bank have said and provided, to decide what is fair and reasonable in the circumstances of this complaint.

I sympathise with the difficult circumstances Ms M found herself in and I appreciate they were beyond her control. However, Ms M did not make any of the payments she should

have made to her PCDL at the times she should have made them. Co-operative Bank was therefore entitled to terminate the account and refer it to an external debt collection agency.

Ms M believes Co-operative Bank must now reinstate the account and allow her to make payments directly to it. However, Co-operative Banks says – and I accept – that this is not possible once the account has been terminated.

Ms M is concerned that making payments to the debt collection agency instead of to Co-operative Bank will have an adverse impact on her credit file. However, Co-operative Bank says it does not report on this type of account and that the debt collection agency doesn't either. Ms M's credit file from July 2012 does not show any adverse reporting by either Co-operative Bank or the debt collection agency. I see no reason to doubt what Co-operative Bank now says about how the account would operate if Ms M chooses to make payment in the future.

Ms M does not dispute having taken out the PCDL, or that she should pay it back. Her dispute is about who she should now make the payments to. Whilst I appreciate that she would rather make the payments to the Co-operative Bank, the opportunity to do so has now passed. Co-operative Bank has explained that – although it technically retains ownership of the account – any future payment arrangements will have to be made through the debt collection agency. I do not find that this is treating Ms M unfairly or that it will cause her undue detriment.

Co-operative Bank also says that interest and charges have not been added to the account since it was passed to the debt collection agency, despite Ms M not having made any payments towards the account since her dispute began. So again I am not persuaded that this has put Ms M in a detrimental position.

I have considered the adjudicator's recommendation of £50 for distress and inconvenience. I accept that it must have been frustrating for Ms M to be unable to pay off the account in January and February 2012 as she wanted to. To some extent this seems to have been an unfortunate by-product of the way the PCDL had to operate. But it also appears from Co-operative Bank's notes that there may have been some delay in referring the account due to the Christmas holiday period. So I agree with the adjudicator that a modest award is appropriate.

That said, I do not think it was reasonable for Ms M to make no payments to the account through the whole course of this dispute, despite providing evidence that she had the financial means to do so – and despite indicating that she intended to do so. So I do not think the compensation amount should be any more than the £50 the adjudicator recommended.

my final decision

My final decision is that I uphold this complaint, but only in relation to a modest award for distress and inconvenience caused to Ms M in January and February 2012. I therefore direct The Co-operative Bank Plc to pay Ms M £50. I make no other order or award.

Dawn Griffiths
ombudsman