

complaint

Mr and Mrs R complain that Lloyds Bank plc added interest to a debt they were repaying when they were having financial problems. They also complain of poor customer service. They'd like the interest they paid from 2009 to 2011 refunded.

background

Mr and Mrs R say about a year after they took out a loan they had financial problems. As they couldn't make the repayments they entered into a debt management plan. They've now found out that Lloyds continued to add interest to the debt. They also say it has been difficult to get information from Lloyds.

Lloyds has apologised and paid £75 in total to acknowledge its poor customer service. But it says it applied its interest charges correctly.

Our adjudicator upheld the complaint. He felt Lloyds had not responded positively and sympathetically to Mr and Mrs R's financial situation. He recommended Lloyds refund the interest Mr and Mrs R had paid from 2009 to 2011 (£4,903.11). Lloyds offered to refund the interest paid for one year (£3,400). The bank felt interest for the remaining six months had been correctly applied. Mr and Mrs R didn't accept this, they think all the interest payments should be refunded.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr and Mrs R feel strongly about this and I can understand why. I've reached the same conclusion as the adjudicator and for much the same reasons.

Lloyds has apologised for its poor customer service and made payments totalling £75 as compensation for the inconvenience and for the costs Mr and Mrs R have had. I think this is fair. It's clear from the correspondence I've seen that Mr and Mrs M have had to chase up requests for information. And they have been put to some inconvenience.

There's no dispute that in 2009 Mr and Mrs R agreed to a debt management plan. And that Lloyds suspended interest on the debt from March 2011. Banks should respond positively and sympathetically when customers have financial problems. Mr and Mrs R have continued to make payments to reduce the debt. But it's clear from the statements I've seen that from March 2010 they were struggling to do this. And by October 2010 the payments they were making were less than the interest payment being added to the account— so the debt was going up not down. Lloyds has accepted that interest should have been frozen. So the bank has offered to refund the interest from March 2010 to March 2011 (£3,400). It has also agreed to change the default date on the account to October 2010. As it was from that date that the payments Mr and Mrs R were making didn't even cover the interest payments being added to the account. But Lloyds doesn't think it should have to refund interest from October 2009. It says the interest was correctly applied. I've seen nothing to say the interest wasn't applied correctly. And Mr and Mrs M were able to make the payments from October 2009 to March 2010. But the amount they were paying was not much more than the interest being added. The debt was going down but not by any significant amount. So even if Mr and

Mrs R had been able to continue to make payments it would've taken an unrealistic time to pay the debt off.

I think Lloyds could've been more positive and sympathetic when Mr and Mrs R entered into a debt management plan. I think the bank should refund the interest payments of £4,903.11 that Mr and Mrs R have paid.

Mr and Mrs R say they would like to settle their outstanding debt. Lloyds says it is willing to discuss this. I think Lloyds should contact Mr and Mrs R to progress this.

my final decision

My final decision is that I uphold Mr and Mrs R's complaint.

In full and final settlement of this complaint Lloyds Bank plc should pay Mr and Mrs R £4,903.11

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 16 December 2015.

Bridget Makins
ombudsman