

complaint

Mrs E complains that Lloyds Bank PLC is holding her liable for an outstanding debt on a joint account despite not notifying her of the debt. She does not want to be held responsible for the debt.

background

Mrs E received a letter from Lloyds seeking repayment of a debt of £7,705.06. In 2009, Mrs E had a Lloyds' joint account with her husband who was then declared bankrupt. Lloyds says that it wrote to Mrs E twice in 2009 about the debt, and once gave her incorrect advice, but Mrs E says that she did not receive its letters. Lloyds says that it made no further contact until recently as there was a hold on the account during the bankruptcy process. Lloyds says that Mrs E must have known of the debt because she paid a cheque into the account in 2010, which Mrs E denies. Lloyds offered Mrs E £50.00 compensation for its incorrect advice, which Mrs E declined.

The adjudicator recommended that the complaint should be upheld. Whilst she thought that Mrs E did owe the debt, she thought that Lloyds' communications about it were poor. It had made Mrs E aware of the debt as its records showed that it had sent her a letter and that Mrs E had called it to discuss this. However, it had given incorrect advice, telling Mrs E to ignore its letter and then sending her a solicitor's letter seeking recovery shortly afterwards. It made no further contact for five years. The adjudicator recommended that Lloyds refund any interest charged on the debt since it told Mrs E to ignore its notice, 13 August 2009, until the present and to increase its offer of compensation for its poor communication to £200. Lloyds agreed to do this.

Mrs E responded that she knew nothing of the debt and had not paid money into the account in 2010.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I can understand that Lloyds' pursuit of this debt after five years must have come as a shock to Mrs E. I can also understand that she has no recollection of its two letters or contacting Lloyds about the debt at a time which must have been stressful for her.

Nevertheless, I find from Lloyds' records that Mrs E held a joint account with Mr E which currently has an outstanding debt. Under the terms and conditions it states:

*"Each of you is separately responsible for complying with the terms of this agreement."
"...we can take action to recover the whole of any joint account debt from any one or more of you, even if you did not know about this debt."*

I find therefore that the terms and conditions hold the Mr and Mrs E both responsible individually and together for the outstanding debt. This allows Lloyds to request repayment from Mrs E directly.

The terms and conditions also allow Lloyds to request payment of an outstanding debt even if one party was unaware of the debt. However, based on the evidence provided, I find that I am satisfied that Mrs E was made aware of the debt. This is because Lloyds' records show that it sent the enforcement letter and letter from its solicitor to Mrs E on the dates stated to the correct address. I understand that Mrs E does not recall these, but Lloyds' internal notes and screen prints show that Mrs E contacted it on 13 August 2009 to acknowledge receipt of the enforcement notice and the bank told Mrs E to ignore it. Lloyds showed evidence that a cheque was received into the account in 2010, but I find that I am satisfied that this did not come from Mrs E but from the receivers.

Despite this, I find that I am satisfied that Lloyds is entitled to pursue Mrs E for the outstanding debt and that Mrs E was aware of the debt. I find that after sending the enforcement notice, Lloyds accepted that it incorrectly told Mrs E to ignore the notice. It then sent her a further letter from its solicitor asking her to pay the debt, which must have been confusing, but then it made no further contact for five years. Consequently, I also find that the lack of communication and the miscommunication by Lloyds has caused Mrs E distress and inconvenience and that it should pay her compensation for this.

my final decision

For the reasons above, it is my final decision that I uphold this complaint and I require Lloyds Bank PLC to do the following:

1. Pay Mrs E £200.00 (in total) compensation for the distress and inconvenience caused by its poor communication and handling of the matter.
2. Waive or refund all interest charged on the debt from 13 August 2009 to the current date.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs E to accept or reject my decision before 20 April 2015.

Phillip Berechree
ombudsman