

## **complaint**

Miss J's complaint concerns a loan, credit card and overdraft facility all held with Lloyds Bank PLC. She is unhappy that Lloyds' staff did not tell her in November 2000 that she could claim under a payment protection insurance (PPI) policy – attached to her loan – when she informed it she was in financial difficulties due to her ill-health. But instead arranged a consolidation loan to repay all her debts. In particular, she is unhappy that;

- the balance of her loan was not repaid by a PPI claim;
- her credit card was not closed when she consolidated her debts – which allowed her to accrue further debt;
- informal repayment agreements were put in place by Lloyds' which were not suitable to her financial difficulties; and
- charges have continued to accrue on her debts.

## **background**

I set out the background to this complaint in the provisional decision. In it I explained why I intended to uphold some of this complaint. I concluded that Lloyds had not responded in a positive and sympathetic way to Miss J when it should have done. On this basis I said it was fair that Lloyds should:

1. Place Miss J in the position she would have been in had it responded positively and sympathetically to her financial difficulties in November 2000. In doing so Lloyds should;
  - a) use any repayments made to the consolidation loan to repay the debts as they stood at the point of consolidation;
  - b) treat the individual debts which were consolidated in November 2000 as if interest and charges had ceased accruing by March 2001 at the latest;
  - c) treat any new borrowing – i.e. not that borrowing used to repay existing debts – taken in November 2000 as being at a 0% rate of interest; and
  - d) refund any overpayments Miss J might have made to the above along with annual interest at 8% simple.
2. Pay Miss J £1,000 compensation for the distress and inconvenience she has experienced due to its poor handling of her financial difficulties.

I invited the parties to let me have their responses to the provisional decision.

Miss J said she accepted it. We have received no reply from Lloyds.

## **my findings**

I thank Miss J for her response to the provisional decision. I have re-considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Where there is a dispute about what happened, I have based my decision on the balance of probabilities. In other words, on what I consider is most likely to have happened in the light of the evidence.

Miss J accepts the provisional decision. It seems Lloyds has declined to respond.

I want to underline that I consider that the consolidation loan should never have been given. As granting it was not a positive and sympathetic response to Miss J's financial difficulties. The bank should now act as if the loan had never been given and should cancel it in so far as it was used to cover Miss J's pre-existing debts. This point was implicit in my provisional decision but I want to now make this point explicit.

I have received no new information in response to my provisional decision. It follows that I have reached the same conclusions as I did in my provisional decision for the same reasons.

### **my final decision**

My final decision is that Lloyds Bank PLC should:

1. Place Miss J in the position she would have been in had it responded positively and sympathetically to her financial difficulties in November 2000. In doing so Lloyds should;
  - a) use any repayments made to the consolidation loan to repay the debts as they stood at the point of consolidation and cancel the consolidation loan as far as it was used to pay off any of Miss J's pre-existing debts;
  - b) treat the individual debts which were consolidated in November 2000 as if interest and charges had ceased accruing by March 2001 at the latest;
  - c) treat any new borrowing – i.e. not that borrowing used to repay existing debts – taken in November 2000 as being at a 0% rate of interest; and
  - d) refund any overpayments Miss J might have made to the above along with annual interest at 8% simple.
2. Pay Miss J £1,000 compensation for the distress and inconvenience she has experienced due to its poor handling of her financial difficulties.

Lloyds Bank PLC must pay the total compensation within 28 days of the date on which Miss J accepts my final decision. If it pays later than this it must also pay interest on the £1,000 from the date of the final decision until the date of payment at the rate of 8% per year simple.

If it considers it is legally required to deduct income tax from that interest, it must send a tax deduction certificate with the payment so that Miss J can reclaim the tax if she is able to.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss J to accept or reject my decision before 7 April 2015.

Joyce Gordon  
**ombudsman**