

complaint

Mr S, represented by his wife, complained because Barclays Bank PLC sent him letters chasing for £11,000 of debt, several years after he had paid it off.

background

In 2009, Mr and Mrs S both entered Individual Voluntary Arrangements (IVAs) to pay back their debts. They paid into the IVA for over three years, when they heard about Payment Protection Insurance (PPI) refunds. They received refunds for more than was owed on the IVA, and in late 2012 the IVA was completed, paying the debt in full plus statutory interest.

In August 2015, Mr S had a letter from Barclays demanding immediate payment in full of just over £11,000. The insolvency practitioner for Mr S's IVA tried to sort it out with Barclays but wasn't able to. Mr S complained to Barclays. The bank's final response apologised for sending the new default notice, and paid Mr S £25 for distress and inconvenience, but said the debt had been written off, not paid in full. Mr S complained to this service.

The adjudicator contacted the insolvency practitioner, and found out that Barclays had reassigned Mr S's full debt to a debt firm in August 2011. So every payment after that was made to the debt firm. The adjudicator sent Barclays a copy of the insolvency practitioner's confirmation that Mr S's debt had been paid in full, including statutory interest. He said to Barclays that the letter it had sent to Mr S showed that the bank needed to calculate interest it shouldn't have charged on the loan.

The adjudicator concluded that Barclays should:

- Refund the interest overcharged on the agreement with Mr S, which was calculated at £64.22;
- Pay interest at 8% per year simple on this interest, from the date the payment was made to the date of settlement;
- Ensure Mr S's credit file showed the account as settled;
- Pay Mr S £250 compensation for the distress and inconvenience caused.

Barclays agreed to this.

Mr S wasn't happy with this. He asked what Barclays were doing writing to them about a debt it had sold some six years earlier. He asked how the bank was allowed to threaten action for a debt it no longer owned. He said the bank showed the debt as £11,000 when they had paid £16,000 plus statutory interest. He considered £250 compensation was paltry in comparison to the stress the bank had caused them.

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 can understand that Mr and Mrs S were distressed by the letter threatening bailiff action in 2015, some years after they had paid their debts in full, and had thought the difficult period of debt was at last behind them. As Mr S said, Barclays shouldn't have written to them about a debt it had sold some years ago. Nor should it have threatened action for a debt it no longer owned.

There are other factors too, which I've taken into account in assessing how much compensation Barclays should pay Mr S. Barclays' final response wasn't accurate, and Mr S's insolvency practitioner wasn't able to get a response when she tried to sort it out. This lengthened the time when Mr S was anxious about the situation. These two facts together caused Mr S unnecessary distress.

Mr S said he viewed £250 compensation as paltry in comparison to the stress they'd had. I can understand why he feels this, but the figure is in line with compensation awarded by this service. I do consider that a more appropriate figure for compensation would be £300 (in addition to the £25 already paid). Barclays has agreed to pay this to Mr S.

Mr S also asked about the accounting detail, and why the bank showed the debt as £11,000 when they had paid £16,000 plus statutory interest. The detail of the accounting of Mr S's IVA was handled by his specialist insolvency practitioner, and she would be the right person for Mr S to approach about the complex insolvency figures, because not all of the amount Mr S paid was paid to Barclays.

my final decision

My final decision is that I uphold this complaint, and I order that Barclays Bank PLC should:

- Refund the interest overcharged on the agreement with Mr S, which was calculated at £64.22;
- Pay interest at 8% per year simple on this interest, from the date the payment was made to the date of settlement;
- Ensure Mr S's credit file showed the account as settled;
- Pay Mr S £300 compensation for the distress and inconvenience caused. This is in addition to the £25 paid in autumn 2015.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 February 2016.

Belinda Knight
ombudsman