

... we consult our stakeholders each year on whether our assumptions are reasonable

Natalie Ceeney, chief executive and chief ombudsman



# ombudsman news

essential reading for people interested in financial complaints – and how to prevent or settle them

## still here...

Back in the November/December issue, I boldly rejected the Mayan prediction of the end of the world. I was feeling fairly confident that we would all be around to see another issue of *ombudsman news*. But predictions about more complex things can be a difficult business – especially when experience suggests that the only

thing you *can* predict with confidence is a degree of volatility. This *ombudsman news* finds us in the middle of our consultation on the plans and budget we're forecasting for the next financial year (2013/2014).

Because we are demanded, we have to base our plans on a forecast of the volumes of complaints we are likely to receive.

We consult our stakeholders each year on whether our assumptions are reasonable. We can't limit ourselves to forecasting just the *total* number of cases we're likely to receive. We also need to try and predict the relative proportions of complaints about different financial products – and the



Financial

Ombudsman Service



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▶ extent to which the parties will cooperate with us in resolving them. It's not straightforward.

Those people who take an interest in our work will know that consumers have referred *significantly* more cases to us in the current financial year than any of us had forecast. Much, but not all, of this increase has been in payment protection insurance (PPI) cases.

This has meant that 2012/2013 has been particularly challenging for us. We have been building our capacity to deal with the influx of cases at the same time as dealing with the cases themselves.

This challenge shows no sign of abating. Many businesses are still reporting sustained high volumes of complaints, and are themselves working on the assumption that this will continue in the immediately foreseeable future. This means we need to be prepared to deal with the higher volumes of cases that come our way.

But as well as continuing to build our capacity, we will continue to enhance and develop the service we offer. We have mentioned some of our development work in previous issues of *ombudsman news* – and we believe this work has made a really positive difference this year. So we think that continuing to take this work forward is the right approach.

We're funded by the financial services industry, and the demand for our services is directly affected by the actions of the financial businesses we cover.

So this consultation matters to us. We need to draw on as many perspectives and viewpoints as possible when we're putting our plans and budget together. You can read the full consultation paper on our website – and we look forward to hearing your views.

**Natalie Ceeney**  
chief executive and  
chief ombudsman

*... we need to draw on as many perspectives and viewpoints as possible*

**Financial Ombudsman Service**

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London E14 9SR

**switchboard 020 7964 1000**

**consumer helpline**

*new extended opening hours*

Monday to Friday 8am to 8pm *and*  
Saturday 9am to 1pm

**0800 023 4567 or 0300 123 9 123**

**technical advice desk**

**020 7964 1400**

Monday to Friday 9am to 5pm

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*Ombudsman News* is not a definitive statement of the law, our approach or our procedure. It gives general information on the position at the date of publication. The illustrative case studies are based broadly on real-life cases, but are not precedents. We decide individual cases on their own facts.

# bad weather

Each year, we see a steady number of cases that involve bad weather and insurance claims. As well as complaints involving storm damage and flooding, we also see issues with home emergency cover for things like broken boilers and burst pipes. And after particularly harsh winters, we sometimes see cases about damage caused by extreme cold or heavy snowfall.

Our approach to cases involving flooding is well established (for a detailed explanation, please see the flooding section of our online technical resource).

Most buildings insurance policies cover financial loss caused by storm damage. The cases we see often centre on what actually constitutes a “storm”. In our view, a storm usually involves violent winds, sometimes accompanied by heavy rain, hail or snow. But we do also see situations where a property has been “storm damaged” even though there hasn’t been a particularly strong wind – but where there has been, for example, heavy snowfall.

The case studies that follow focus on some of the more common situations that we see, including:

- ◆ **disputes between consumers and insurers about the root cause of damage to property;**
- ◆ **a consumer unhappy about the quality of repairs carried out on behalf of their insurer; *and***
- ◆ **a consumer unhappy that their insurer took too long to get their property repaired.**



## *... they said the roof was only a year old and that they hadn't had problems with it before*

### case study 107/1

#### insurer rejects claim because damage was caused by poor workmanship

After heavy snowfall, Mr and Mrs P noticed that water had come through to their ceiling from their flat felt roof. They contacted their insurer to make a claim for the damage to the ceiling and the roof.

A few days later, a loss adjuster came to inspect Mr and Mrs P's roof.

A couple of days after that, the insurer phoned Mr and Mrs P to tell them that it wasn't prepared to pay for any of the damage to be repaired. The insurer said that the damage was not covered under their policy because it had been caused by "poor workmanship" in the way the roof had been constructed and sealed.

The insurer pointed out that Mr and Mrs P's policy said "You are not covered under your policy for any loss or damage caused by or resulting from poor workmanship, poor design or faulty materials".

Mr and Mrs P complained to their insurer. They said they hadn't been kept fully up to date about when the loss adjuster was coming. And when he did arrive, they didn't think he had inspected the roof properly. They also said the roof was only a year old and that they hadn't had any problems with it before – so the water must have leaked through the roof because of the weight of the snow.

The insurer rejected their complaint, and Mr and Mrs P brought the matter to us.

#### complaint not upheld

We listened to everything that Mr and Mrs P and the insurer told us, and we asked them to send us any evidence they had to support what they were saying.

We looked at the loss adjuster's report and at the photos he had taken. Although Mr and Mrs P didn't think the loss adjuster had inspected the roof properly, the photos were good quality and we were satisfied that they showed he had carried out a reasonable inspection of the roof.

We also looked at records that showed that the insurer had been in contact about the loss adjuster's visit.

We checked the loss adjuster's experience of assessing this type of damage – and we were satisfied that he had the relevant experience for this kind of work.

We noted that Mr and Mrs P's flat roof had only been a year old when the leak had happened, so we would have expected it to still have been watertight at this stage.

We concluded that the damage was likely to have been caused because the roof had not been fitted properly in the first place. This was a workmanship issue which was not covered under Mr and Mrs P's policy.

We explained to Mr and Mrs P that their insurer was not responsible for anything that could go wrong with their roof. We also explained that our job was to look at whether the insurer had been right to decide that their claim was not covered by their policy. We had concluded that the insurer had acted fairly in turning down their claim.

But we did appreciate that the couple were dissatisfied with the quality of the roof – especially as it was only a year old.

So we suggested that they get in touch with the builder who had constructed the roof to discuss what had happened – and to ask them to look into it.

.....

## case study 107/2

### insurer refused to pay for repairs needed because of poor workmanship by its contractor

During torrential rain, the river near Mr and Mrs F's house burst its banks. Unfortunately, their house was flooded. Mr and Mrs F contacted their insurer and made a claim for the repairs. The insurer accepted the claim and the repair works were carried out – apparently without any problems.

The following winter, Mr and Mrs F noticed that their house felt damp and draughty. They contacted their insurer again and said they were concerned about the quality of the flood repairs. The insurer said that Mr and Mrs F had chosen the contractors themselves – and that it had just paid for the repairs. So the insurer wouldn't accept responsibility for any problems arising from poor workmanship.

Unhappy with this response, Mr and Mrs F made a complaint. But the insurer said it had no record of ever having hired the contractors who had carried out the work. And it told Mr and Mrs F that it still wasn't prepared to pay for any additional repair work.

Mr and Mrs F were certain that their insurer had chosen and instructed the contractors. So they referred their dispute to us.

#### complaint upheld

Mr and Mrs F's insurance policy only covered them for the cost of repairing damage caused by an "insured event" – for example, storm damage. It did not cover problems arising from poor workmanship. But we took the view that if the insurer had hired a contractor who had done a bad job, Mr and Mrs F should not have to pay to sort it out.

We looked at all the paperwork from the claim and we found that although the insurer itself hadn't hired the contractor, it had let its third-party claims-handling company decide who should be hired to do the repair work.

*... Mr and Mrs F were certain that their insurer had chosen and instructed the contractors*



We couldn't find any evidence to show Mr and Mrs F had any say in this. But we did see correspondence between the claims-handling company and the contractor confirming arrangements for the work.

All this led us to conclude that it had been the insurer's decision to instruct the claims-handling company to do work on its behalf – including the decision on hiring the contractor. So we decided that the insurer was responsible for the consequences of any decisions made by the claims handler. But the insurer had refused to accept any responsibility for problems arising from poor workmanship.

We told the insurer to pay for a survey to inspect the damage – and to pay for any repairs that were needed to put things right.

## case study 107/3

### insurer rejected claim because damage “wasn't caused by a storm”

Mr B lived near the coast. After severe rain, his roof was damaged and he noticed water coming into the extension on his house. Mr B was concerned that his roof might need to be replaced, so he phoned his insurer to get some advice on what to do next.

The person he spoke to took all his details. Shortly afterwards, the insurer wrote to Mr B to tell him that it was rejecting his claim. It said there hadn't been a storm in the local area – and that because the roof was old, the damage was more likely to have been caused by wear and tear than by a storm.

Mr B complained to his insurer. He said he had maintained the roof well – and that he had only noticed the leak after exceptionally wet weather. Mr B asked the insurer to reconsider its position.

When the insurer wouldn't change its position, Mr B brought his case to us.

### complaint upheld

When we looked at the evidence, we noted that the weather reports the insurer had used actually related to a period several weeks *before* the time Mr B had said the roof had been damaged.

But we still needed to establish whether there had been a storm on the date Mr B had given to the insurer. So we looked at the local weather reports for his area. The reports said there was a “*wind storm locally*”. We also took into account the fact that the weather readings had been taken inland, and that the weather conditions by the coast can be worse than those further inland. So we decided the weather probably *had* been severe enough to be considered a single storm – and to have caused the damage to Mr B's roof.

In these circumstances, we told the insurer to consider Mr B's claim in line with the terms of his policy.

*... we decided the weather probably had been severe enough to be considered a single storm*

## *... Mr E had to ring his insurer several times to find out what was happening*

### case study 107/4

#### consumer complains that insurer's delay meant he had to move out for longer than necessary

Just before Christmas, Mr E's house was damaged by flooding. He was left without running water, heating and electricity. Mr E phoned his insurer on his mobile to let them know what had happened – and to get some advice on what to do next. The insurer arranged to phone Mr E back the next day. But nobody phoned him, and he had to ring them himself.

Mr E went to stay with relatives over the Christmas and New Year period. But to be nearer to work – and to his own damaged property – he had to move back to the area. So he moved into a local B&B.

In late January, the insurer sent a contractor to start the drying-out work on Mr E's house. When the contractor arrived, he did not have the right equipment with him. He came back in mid-February, and Mr E was told it would take six to eight weeks for the house to be dried out completely. Over the next few months there were more delays to the repair work. Mr E had to ring his insurer several times to find out what was happening – and to ask it to send someone to keep working on the repairs.

Mr E finally moved back into his house in July. When he looked back on what had happened, he decided to make a complaint. He told his insurer he wasn't happy with how it had handled his claim – or how long it had taken to arrange repairs to his house.

The insurer agreed that it hadn't handled Mr E's claim well – and it offered to pay him £500. But Mr E felt £500 was not enough. He pointed out that his house had been without running water, heating and electricity for many months, and that he had needed to live in a B&B. When the insurer refused to reconsider its offer, Mr E referred his case to us.

#### complaint upheld

We looked at the evidence sent to us by the insurer and by Mr E. We found that Mr E had needed to chase up the insurer several times to find out what was going on and how the repairs were progressing. This had happened repeatedly over the seven-month period.

In cases like this, we have to decide how much of the time was justifiably taken up by the drying-out process – which we appreciate can take several weeks – and whether the situation had been exacerbated by delays and unsatisfactory explanations to the consumer. In this case, we decided that the insurer had taken far longer than it should have done to help Mr E – and that the delays had lengthened the whole process by about two months.

In addition to covering Mr E's accommodation costs, we told the insurer to put things right by paying Mr E £1,200 compensation for the inconvenience it had caused him.



## case study 107/5

### consumer complains her insurer turned down her claim about a leaking garage

After a winter of bad weather, Mrs R noticed a large pool of water on the floor at the back of her garage. The roof looked fine, and she couldn't see how it could have come through the garage door. Mrs R could only assume that the water had somehow come up through the floor – and she was worried that the foundations of her garage had somehow become waterlogged.

She phoned her insurer and told them what had happened. And she asked them to send someone to sort the problem out.

The insurer sent out its loss adjuster to assess the situation. On the basis of his report, the insurer turned down Mrs R's claim. It said that the pool of water had not been caused by an "insured event". It also said there was no damage to the building itself – so there was actually nothing to repair under the policy.

Mrs R complained to the insurer. She said she couldn't understand why the insurer wouldn't accept that there was a problem. The insurer refused to change its decision, so Mrs R brought her case to us.

#### complaint not upheld

We explained to Mrs R that an insurance policy only covers the events specified in the policy – and that for an insurer to accept a claim, it has to be satisfied that damage has been caused by one of those events.

We looked carefully at Mrs R's policy documents to see what she *was* covered for. We noted that the "escape of water" section covered damage caused by "water escaping from a fixed installation" – like guttering or drains. Mrs R had said that the damage to her garage had been caused by severe weather conditions – so we did not think that the "escape of water" section of the policy was relevant in this situation.

We also looked at whether Mrs R might have been able to make a claim for storm or flood damage. We considered whether there were storm or flood conditions leading up to when Mrs R noticed the pool of water in the garage. We looked at the weather reports for the local area. Although there had been some rainfall, there hadn't been any flooding or conditions that could be considered a storm. And we did not think that the pool of water itself could be considered a flood.

We didn't know what had caused the pool of water to appear in Mrs R's garage – and nor did her insurer. But we appreciated that Mrs R was concerned. So we suggested that she contact a surveyor to come and inspect her garage. If it turned out that there *was* damage, we told Mrs R that she might be able to pursue it with her insurer. We did not uphold the complaint.

*... she couldn't understand why the insurer wouldn't accept that there was a problem*



*... the rainfall had not been particularly heavy and there had only been a light wind*

case study  
107/6

insurer rejects claim for storm damage because there was “no identifiable storm”

After a very wet autumn, Ms B’s flat roof started leaking water into her kitchen. She told the insurer that her roof had been damaged by a storm, and that she wanted to make a claim for the damage that had been caused by the water. Ms B’s insurer sent their loss adjuster to her house to assess the damage.

When the insurer reviewed the loss adjuster’s report, it decided to turn down Ms B’s claim. It made its decision on the basis that the damage could *not* have been caused by a storm – because there hadn’t actually been a storm on the date Ms B had told them about. Its investigations had shown that the roof was old, and that the damage had been caused by wear and tear. But the insurer didn’t get in touch with Ms B to let her know about its decision.

Ms B phoned her insurer a number of times to find out what was happening with her claim. Although she had several conversations with people on the insurer’s helpline, it took her two months to find out that her claim had been turned down.

Ms B complained to the insurer. She said it had made a mistake when it had noted down the date of the storm. She insisted there *had* been a storm on the date she had given them, and that this had damaged her roof and some of her cupboards and appliances. She also pointed out that she had waited two months to find out about the insurer’s decision.

The insurer didn’t agree to pay for the damage, but it did offer to pay Ms B £75 compensation for the inconvenience she had been caused by its poor customer service.

Ms B was unhappy with the insurer’s decision. Rather than accepting its offer, she decided to bring her case to us.

**complaint not upheld**

When we reviewed Ms B’s insurance policy documents, we found that she was covered for “financial loss caused by storm damage”. So we needed to decide whether the damage to Ms B’s roof had been caused by a storm – and not just by prolonged bad weather or by general wear and tear to the roof.

We needed to establish the exact point at which Ms B’s kitchen had been damaged. So we listened to recordings of the conversations between Ms B and her insurer, and we concluded that the damage was likely to have occurred in early December.

Next, we looked at the local weather reports for the relevant week in December. The reports showed there had been heavy rainfall. But we take the view that a storm usually involves violent winds, often with rain, hail or snow. In this case, the rainfall had not been particularly heavy and there had only been a light wind – so we concluded that there had not been a storm locally during that week.

We checked Ms B’s policy to see whether it included cover for accidental damage, but it did not.

In these circumstances, we concluded that the insurer had acted fairly in turning down Ms B’s claim. While we sympathised with her situation, we concluded that the wet weather had brought to light existing problems with her roof – and so the damage wasn’t covered under her policy. And we thought the insurer’s offer of £75 was fair compensation for the poor customer service she had received.

# ombudsman focus: third quarter statistics

## a snapshot of our complaint figures for the *third quarter* of the **2012/2013** financial year

Since September 2009 we have been publishing complaints data on our website every six months about named individual businesses. The data shows the number of new complaints – and the proportion of complaints we upheld in favour of consumers – for businesses that have 30 or more new cases (and 30 or more resolved cases) in each six-month period.

We also publish updates in *ombudsman news* on a quarterly basis – showing what kind of financial products people have complained about, and what proportion of complaints about different products we have upheld in favour of consumers.

In this issue of *ombudsman news* we focus on data for the third quarter of the financial year 2012/2013 – showing how many new complaints we received, and what proportion we resolved in favour of consumers, during October, November and December 2012. During these three months:

- ◆ The total number of complaints that consumers referred to us about financial businesses increased by 75% – from 103,197 to 180,679.
- ◆ This means we received more complaints in this quarter alone than in any single year between 2000 and 2010.

- ◆ 80.5% of these new complaints related to payment protection insurance (PPI). This figure was 65% in the previous quarter. So far this year we have already received 244,873 new PPI complaints – compared with 157,716 complaints in the whole of the 2011/2012 financial year.

- ◆ The proportion of complaints we upheld in favour of consumers ranged between 75% (for mobile phone insurance disputes) and 2% (for complaints about SERPs). The uphold rate for PPI cases during the quarter was 55% – and 62% for the year so far.

payment protection insurance (PPI)

credit card accounts

current accounts

house mortgages

overdrafts and loans

car and motorcycle insurance

mortgage endowments

buildings insurance

deposit and savings accounts

term assurance

travel insurance

whole-of-life policies

contents insurance

personal pensions

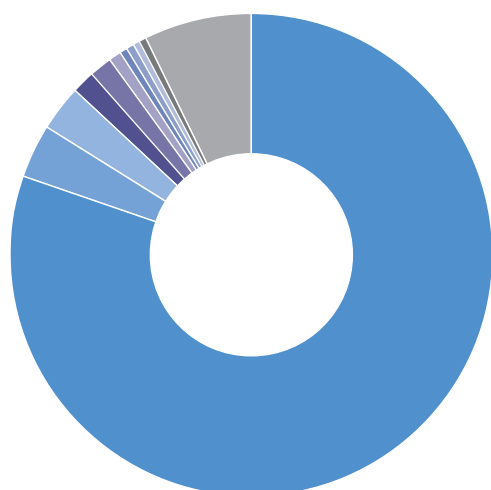
"point of sale" loans

hire purchase



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the financial products that consumers complained about most to the ombudsman service in October, November and December 2012



- payment protection insurance (PPI) **80.5%**
- credit card accounts **3.5%**
- current accounts **3%**
- mortgages **1.5%**
- overdrafts and loans **1.5%**
- car and motorcycle insurance **1%**
- deposit and savings accounts **0.5%**
- buildings insurance **0.5%**
- mortgage endowments **0.5%**
- term assurance **0.5%**
- complaints about other products **7%**

number of new cases				
year	Q3	Q2	Q1	
to date	(Oct to Dec)	(Jul to Sep)	(Apr to Jun)	full year
2012/13	2012/13	2012/13	2012/13	2011/12
<b>244,873</b>	145,546	66,882	32,445	157,716
<b>15,433</b>	6,083	5,634	3,716	18,977
<b>14,159</b>	4,958	5,658	3,543	14,057
<b>8,739</b>	3,042	3,463	2,234	9,530
<b>6,297</b>	2,174	2,379	1,744	6,239
<b>5,820</b>	2,054	2,051	1,715	7,264
<b>3,367</b>	1,258	1,202	907	3,267
<b>3,638</b>	1,218	1,360	1,060	4,556
<b>3,406</b>	1,130	1,451	825	3,734
<b>2,166</b>	1,005	697	464	1,432
<b>1,911</b>	732	707	472	2,400
<b>1,893</b>	706	657	530	1,828
<b>1,472</b>	533	494	445	2,089
<b>1,537</b>	512	620	405	1,496
<b>1,449</b>	485	520	444	2,247
<b>1,273</b>	448	442	383	1,545

% resolved in favour of consumer				
year	Q3	Q2	Q1	
to date	(Oct to Dec)	(Jul to Sep)	(Apr to Jun)	full year
2012/13	2012/13	2012/13	2012/13	2011/12
<b>62%</b>	55%	68%	69%	82%
<b>37%</b>	23%	44%	49%	54%
<b>34%</b>	35%	32%	33%	31%
<b>26%</b>	26%	27%	26%	28%
<b>36%</b>	34%	37%	36%	38%
<b>49%</b>	45%	48%	54%	49%
<b>23%</b>	23%	21%	25%	28%
<b>48%</b>	47%	49%	47%	50%
<b>42%</b>	44%	40%	42%	44%
<b>13%</b>	14%	11%	12%	23%
<b>48%</b>	45%	45%	52%	52%
<b>24%</b>	22%	23%	26%	32%
<b>42%</b>	38%	43%	43%	52%
<b>33%</b>	31%	36%	32%	35%
<b>43%</b>	47%	40%	42%	45%
<b>43%</b>	46%	41%	39%	43%



\* This table shows all financial products and services where we received (and settled) at least 30 cases. This is consistent with the approach we take on publishing complaints data relating to named individual businesses. Where financial products are shown with a single asterisk, we received (and settled) fewer than 30 cases during the relevant period.

critical illness insurance
portfolio management
income protection
investment ISAs
debit and cash cards
catalogue shopping
specialist insurance
private medical and dental insurance
inter-bank transfers
"with-profits" bonds
home emergency cover
warranties
endowment savings plans
debt collecting
unit-linked investment bonds
secured loans
pet and livestock insurance
legal expenses insurance
credit broking
store cards
share dealings
mobile phone insurance
cheques and drafts
direct debits and standing orders
roadside assistance
annuities
self-invested personal pensions (SIPPs)
personal accident insurance
electronic money
guaranteed bonds

number of new cases				
year	Q3	Q2	Q1	
to date	(Oct to Dec)	(Jul to Sep)	(Apr to Jun)	full year
2012/13	2012/13	2012/13	2012/13	2011/12
<b>1,008</b>	426	348	234	817
<b>1,173</b>	413	460	300	1,152
<b>1,038</b>	411	336	291	950
<b>1,196</b>	410	481	305	904
<b>893</b>	337	355	201	836
<b>661</b>	277	224	160	695
<b>649</b>	255	197	197	791
<b>621</b>	249	214	158	513
<b>677</b>	246	273	158	688
<b>584</b>	236	202	146	542
<b>889</b>	235	364	290	1,473
<b>664</b>	232	256	176	881
<b>679</b>	222	274	183	875
<b>756</b>	218	305	233	576
<b>638</b>	218	254	166	856
<b>357</b>	206	151	*	*
<b>631</b>	203	207	221	554
<b>594</b>	195	221	178	779
<b>449</b>	192	145	112	627
<b>488</b>	190	161	137	476
<b>463</b>	178	146	139	549
<b>494</b>	167	193	134	599
<b>474</b>	165	178	131	670
<b>468</b>	160	208	100	538
<b>312</b>	149	101	62	364
<b>439</b>	148	178	113	511
<b>455</b>	148	179	128	499
<b>351</b>	143	121	87	322
<b>325</b>	135	107	83	403
<b>371</b>	130	160	81	352

% resolved in favour of consumer				
year	Q3	Q2	Q1	
to date	(Oct to Dec)	(Jul to Sep)	(Apr to Jun)	full year
2012/13	2012/13	2012/13	2012/13	2011/12
<b>21%</b>	16%	26%	20%	31%
<b>53%</b>	53%	49%	59%	63%
<b>28%</b>	30%	25%	31%	41%
<b>29%</b>	26%	25%	40%	51%
<b>44%</b>	43%	48%	37%	40%
<b>57%</b>	56%	58%	55%	60%
<b>63%</b>	70%	59%	58%	53%
<b>37%</b>	41%	34%	34%	46%
<b>40%</b>	38%	39%	44%	42%
<b>19%</b>	16%	20%	21%	27%
<b>63%</b>	63%	59%	66%	69%
<b>61%</b>	62%	63%	56%	63%
<b>21%</b>	19%	21%	24%	33%
<b>43%</b>	43%	48%	40%	38%
<b>44%</b>	51%	40%	40%	64%
<b>17%</b>	14%	16%	*	*
<b>55%</b>	52%	58%	53%	40%
<b>35%</b>	41%	34%	26%	26%
<b>66%</b>	71%	67%	57%	68%
<b>56%</b>	45%	59%	64%	67%
<b>42%</b>	45%	36%	49%	50%
<b>69%</b>	75%	72%	61%	63%
<b>47%</b>	47%	42%	50%	47%
<b>47%</b>	49%	47%	44%	47%
<b>45%</b>	45%	45%	47%	49%
<b>27%</b>	29%	25%	25%	35%
<b>58%</b>	62%	62%	46%	61%
<b>39%</b>	38%	37%	45%	47%
<b>33%</b>	41%	26%	27%	33%
<b>29%</b>	27%	25%	35%	35%



commercial property insurance

commercial vehicle insurance

payday loans

debt adjusting

OEICs (open-ended investment companies)

state earnings-related pension (SERPs)

occupational pension transfers and opt-outs

guaranteed asset protection ("gap" insurance)

(non-regulated) guaranteed bonds

merchant acquiring

hiring / leasing / renting

business protection insurance

debt counselling

unit trusts

spread betting

total

other products and services

number of new cases					% resolved in favour of consumer				
year	Q3	Q2	Q1		year	Q3	Q2	Q1	
to date	(Oct to Dec)	(Jul to Sep)	(Apr to Jun)	full year	to date	(Oct to Dec)	(Jul to Sep)	(Apr to Jun)	full year
2012/13	2012/13	2012/13	2012/13	2011/12	2012/13	2012/13	2012/13	2012/13	2011/12
351	122	131	98	629	37%	41%	35%	33%	34%
381	121	139	121	436	45%	43%	45%	46%	38%
387	116	145	126	296	72%	64%	74%	77%	81%
355	108	141	106	462	70%	74%	66%	71%	63%
140	105	35	*	141	47%	43%	54%	*	47%
308	89	131	88	294	2%	2%	2%	4%	2%
226	83	83	60	331	52%	58%	42%	53%	43%
225	82	83	60	213	26%	33%	17%	27%	44%
250	69	101	80	484	29%	34%	42%	40%	46%
151	65	51	35	206	22%	16%	25%	24%	21%
211	62	83	66	240	35%	40%	38%	23%	46%
130	59	71	*	160	48%	40%	48%	*	27%
66	36	30	*	124	56%	48%	63%	*	57%
74	32	42	*	138	41%	39%	41%	*	52%
34	*	34	*	165	45%	*	68%	*	23%
<b>339,519</b>	<b>179,927</b>	<b>102,516</b>	<b>57,076</b>	<b>262,488</b>	<b>47%</b>	<b>43%</b>	<b>48%</b>	<b>50%</b>	<b>64%</b>
<b>2,147</b>	<b>752</b>	<b>681</b>	<b>714</b>	<b>1,887</b>	<b>36%</b>	<b>34%</b>	<b>37%</b>	<b>37%</b>	<b>45%</b>
<b>341,666</b>	<b>180,679</b>	<b>103,197</b>	<b>57,790</b>	<b>264,375</b>	<b>47%</b>	<b>43%</b>	<b>48%</b>	<b>50%</b>	<b>64%</b>

# catalogue shopping

As the economic situation continues to bite and more people are finding established lines of credit closed off to them, many are turning to alternative forms of credit. Over the last year or so, we have seen an increase in the number of complaints involving different types of credit – including more complaints about catalogue shopping accounts.

Many of the complaints we see have come about because the way consumers operate their catalogue accounts can be complex. Problems can arise where, for example, different payment arrangements apply to different items. Or where consumers missed a payment and went into arrears – because they hadn't realised that their payment date was on a 28-day cycle rather than being on a fixed date each month.

We resolve many of the complaints we see by getting to the bottom of what has happened and talking it through with both sides. Relatively few complaints in this area reach the final stage in our process – a decision by an ombudsman. And we do see some examples of particularly good customer service when things have gone wrong.

The case studies that follow illustrate some of the more common problems that we see, including:

- ◆ disputes over the quality of items bought from catalogues;
- ◆ adverse information being recorded on a consumer's credit file; *and*
- ◆ confusion where a consumer has more than one shopping account – either with the same company or with a different one.





## *... he was determined that the catalogue company should put things right*

### case study 107/7

#### consumer complains that catalogue company would not repair or replace TV that stopped working properly

In December 2008 Mr R bought a TV from a catalogue. He decided to spread the cost, and arranged to make 36 monthly payments. The TV came with a 12-month warranty and a 2-year extended service guarantee.

In October 2009 Mr R rang the catalogue's helpline to complain that his TV had lost connection with its aerial. He said the picture was fuzzy and that he couldn't watch certain channels. He spoke to a customer services adviser and said he wanted the catalogue company to cover the cost of putting things right, or replace the TV with a new one. The adviser told Mr R that there was nothing he could do because it had

been more than six months since Mr R had bought the TV. But the adviser did point out that the TV was still under warranty, and he suggested Mr R get in touch with the manufacturer to discuss the problem.

Mr R wasn't happy with this response, and he complained to the catalogue company. The company replied, saying that there was no evidence that the TV had been faulty when Mr R had bought it. The letter repeated the information Mr R had been given over the phone – and suggested that he contact the TV's manufacturer.

Mr R was annoyed that he was paying for a TV that wasn't working properly, and he decided to stop making his monthly payments. This led to the catalogue company adding charges to his account, which meant that adverse information was recorded on his credit file.

When Mr R found out what had happened, he decided to bring his complaint to us.

#### complaint not upheld

We needed to establish exactly what was wrong with the TV – and what had caused the problem. So we asked the catalogue company to arrange an independent assessment of the damage to find out what had caused it.

The engineer who looked at the TV said he couldn't find anything to suggest that the problem had been caused by a manufacturing fault. Without reasonable evidence of a manufacturing fault, we didn't feel that the company could be held responsible for the problem.

In addition to this, we noted that the catalogue company had suggested that Mr R try and sort the problem out with the TV's manufacturer. When we asked Mr R whether he had tried this, he told us that he hadn't. He said that he had bought the TV from the catalogue, and he was determined that the catalogue company should put things right.

By stopping his monthly payments, Mr R had broken the terms of the credit agreement he had made with the catalogue company. In these particular circumstances, we could not see any reason why the catalogue company should not have applied the charges set out in the credit agreement.

We also took the view that the company had been entitled to register information with credit reference agencies – because it had given a true and accurate reflection of what had happened to Mr R's account.

In these circumstances, we did not uphold the complaint.

## ... she said that the catalogue company must have credited the wrong account

### case study 107/8

#### consumer complains that catalogue company registered adverse information on her credit file – even though she had been paying

Mrs T had a catalogue shopping account. When she started having some financial problems, she contacted the catalogue company and agreed a new repayment plan with them. Mrs T agreed to pay £30 a month towards her account.

A few months after the repayment plan was set up, Mrs T received a letter telling her that her account “had defaulted” and that “adverse information” would be recorded on her credit file. The letter also said that Mrs T had been sent a default notice a few weeks earlier, which had explained that the catalogue company would be taking this action if she didn’t contact them to discuss her repayments.

Mrs T complained, saying she had never received a default notice. She said it must have been lost in the post. She also said that she had been making payments each month, and that the catalogue company must have credited them to the wrong account.

When the catalogue provider refused to change its position, Mrs T brought her case to us.

#### complaint not upheld

When we looked at Mrs T’s bank statement, we found that she had made *some* payments to the company, but we noted that the payments were not regular and were for varying amounts.

We also found that Mrs T had another catalogue account with a *different* company. Her bank statement showed that a number of payments Mrs T told us she had made to the company in question had actually gone to that *other* company.

When we reviewed the catalogue company’s accounts, we found that all the payments Mrs T had made had been credited to her account correctly – and that all her payments were accounted for.

We explained our findings to Mrs T. We also explained to her that because she had not been making payments in line with her repayment plan, the company had been entitled to put her account “into default”.

Although the company didn’t keep paper file copies of default notices, it was able to show us relevant information from its IT system to satisfy us that it had sent out a default letter to Mrs T. We also noted that the company had the right address for Mrs T on its system. So we concluded that either Mrs T had received it and not remembered, or that it had not reached her in the post. And in those circumstances, we took the view that the catalogue company could not fairly be held responsible.

We did not uphold the complaint.

## ... Mrs T had another catalogue account with a different company

*... the company accepted that it had inconvenienced her, and offered to refund her £180*

case study  
107/9

consumer complains that she was inconvenienced when catalogue company replaced faulty original items

Ms R ran a small marketing company. She had just won a contract with a new client and was taking on some new staff. She needed some new office furniture, but didn't have the money to pay for it straight away. So she decided to buy some new desks by taking out a credit agreement with a catalogue company.

Eight months later, the veneer on the desks started to peel. Ms R wasn't happy, and she rang the catalogue company to tell them about the problem. She said that she wasn't happy with the quality of the desks, and asked the company to replace them with a different, higher spec model. The company agreed to collect the desks and to supply the more expensive ones. The new desks cost £360 more than the original ones, and Ms R paid for them over the phone.

Just before Christmas, the new desks arrived. But when Ms R asked the delivery driver to take the old desks away, he said he couldn't take them. Ms R rang the company's customer services helpline to complain. She spoke to an adviser and asked him to arrange for the desks to be collected. The adviser explained to Ms R that he couldn't arrange for the desks to be collected until after Christmas, and he apologised for the inconvenience. Ms R ended up having to store the old desks in her office for a month.

Ms R thought the company had handled things badly, and decided to complain. The company accepted that it had inconvenienced her, and offered to refund her £180 towards the cost of the new desks, plus £10 towards the cost of the phone calls she had needed to make to sort the situation out. But Mrs R did not think this offer was enough, and decided to refer her case to us.

**complaint not upheld**

The fact that the original desks had not been satisfactory was not in dispute. Our job was to decide whether the company had acted fairly in the way it had handled Ms R's complaint.

Understandably, Ms R had questioned the quality of the original desks and decided to replace them with a different model. We took the view that by collecting the old desks and delivering the new ones free of charge, the company had solved the problem fairly and reasonably. We thought it had been reasonable to expect Ms R to pay the difference in price between the different quality desks.

However, the company had failed to arrange for the old desks to be taken away at the same time as they had delivered the new ones, which had left Ms R with a storage problem. We concluded that the company's offer to reduce the cost of the new desks – and to cover the cost of the phone calls – was appropriate compensation for the inconvenience it had caused her.

We did not uphold the complaint.

## ... she had gone out of her way to let them know about the problems she was having

### case study 107/10

#### consumer complains that she made payments to her catalogue account - but the company still added charges to her account and adverse information to her credit file

Miss N had a catalogue shopping account. She usually made her monthly repayments through the catalogue's website. But when she started having some problems with her home broadband connection, she realised she wouldn't be able to make her payments in the usual way. So she rang the catalogue's customer services helpline to ask for some advice on what to do.

The adviser on the helpline suggested that Miss N make her payments in a branch of her bank – and gave her the bank details and the account reference number she would need to quote. Miss N made her next two monthly payments from her bank.

However, the catalogue company sent Miss N a letter telling her that it hadn't received the payments – and that it had recorded adverse information on her credit file. Miss N was upset. She phoned customer services. She told them that she had gone out of her way to let them know about the problems she was having with her internet connection – and to make sure her payments were made on time.

But the adviser she spoke to said he couldn't see any record of Miss N's original phone call – and that there was nothing he could do to amend her credit file. He suggested that Miss N speak to her bank to find out what had happened.

Miss N was unhappy, and she made a complaint to the catalogue company. When the company refused to change its mind, she referred the matter to us.

#### complaint resolved

Miss N had no evidence to show that she had phoned customer services to discuss her situation. However, when we looked at her bank statements, we could see that she had made payments to a recipient with the same name as the catalogue company.

When we asked the company to look into whether they had received these payments, they told us that they *had* received the money. But they told us that the account reference number Miss N had quoted was for her "privilege account" – which was her storecard account rather than her catalogue account. The company confirmed that the money had gone to Miss N's *storecard* account, and that her catalogue account had been left uncredited.

We established that when customers made their payments to this company on its website – as Miss N usually did – they would be shown a drop-down list of accounts to credit. But because Miss N had made the payments in a branch of her bank, she would have had to rely on the payment details she had been given by person she had spoken to at the catalogue company.

We thought it was unlikely that Miss N would have knowingly made the payments using the *right* bank details but the *wrong* reference number. So we concluded that Miss N had made a genuine mistake, and that the adviser she had spoken to could have been clearer about which information to use. In these circumstances, we told the company to remove the adverse information from Miss N's credit file and to make sure that the payments she had made were credited to her catalogue account.

## ... Mr V hadn't been a customer with them for long enough to qualify for their "buy now, pay later" scheme

### case study 107/11

#### consumer complains that he ordered an item on a "buy now, pay later" basis – but the catalogue company made a mistake with his order

Mr V bought a washing machine from a catalogue. He wanted to spread the cost, so he decided to buy the washing machine on a "buy now, pay later" basis. He filled in the order form and the washing machine arrived a few days later.

It was only when Mr V saw his first statement from the catalogue company that he noticed his order had not gone through on a "buy now, pay later" basis. Mr V complained to the company, but it said he had never ordered the washing machine on "buy now, pay later" terms.

Mr V was unhappy with the company's response. He was convinced that he had ordered the washing machine on a "buy now, pay later" basis, and insisted that he would never have bought it if that hadn't been the case.

He also said that he had phoned customer services and been told that he wouldn't have to pay interest on the item.

The catalogue company asked Mr V what code or reference he had quoted to indicate that he had wanted to buy the washing machine on a "buy now, pay later" basis. He said he couldn't remember the code he had put on the order form, but he thought it was "BNPL". When the company refused to process Mr V's order on a "buy now, pay later" basis, he asked us to investigate.

#### complaint not upheld

The company told us that for a customer to buy an item on a "buy now, pay later" basis, they would need to meet certain eligibility criteria – and they would also need to quote a specific code on their order form.

The company said that its "buy now, pay later" code is made up of numbers and letters – so the code that Mr V thought he had put in could not have been right.

When we looked at the company's order management system, Mr V's order was recorded as a "normal" order – and not one on a "buy now pay later" basis.

Given that Mr V's first statement also showed it as a normal order, we concluded that he was likely to have placed the order on that basis.

The company told us that Mr V hadn't been a customer with them for long enough to qualify for their "buy now, pay later" scheme. So even if he *had* put a valid "buy now, pay later" code on his order form (and not just the letters "BNPL"), his form would have been returned to him and he would have been asked to pay using a different credit option.

The company also told us that even though it records every phone conversation, they could not find a conversation between Mr V and customer services about his purchase being interest free.

Although we accepted that Mr V had wanted to buy the washing machine on a "buy now, pay later" basis, we were not persuaded that he had actually placed his order on those terms.

In these circumstances, we did not uphold the complaint.

## *... he stopped making payments while he waited for the details of the new repayment plan to arrive*

### case study 107/12

#### consumer complains that catalogue company recorded adverse information on his credit file after it had failed to set up a new repayment plan

Mr W had an account with a catalogue. After a quiet period at work in the run-up to Christmas, Mr W was having trouble making the minimum repayments on his account.

He rang the catalogue's customer services helpline to find out if they could do anything to help. The person he spoke to said that she could set up a new repayment plan for Mr W that would reduce his monthly repayments. She also said that they would freeze the interest on his account. Mr W was relieved, and stopped making payments while he waited for the details of the new repayment plan to arrive in the post.

When he didn't hear anything for a couple of weeks, Mr W rang customer services again to find out what was happening. He was told he would receive a letter shortly. No letter arrived – and Mr W became even more concerned when his usual monthly statement for January didn't arrive either.

He rang customer services, and was told again that the letter was on its way. Again, nothing arrived. This went on for several weeks.

In April, Mr W was thinking of buying a house with his partner. Before they applied for a mortgage, they both checked their credit files. Mr W discovered that the catalogue company had recorded adverse information on his credit file since January.

When Mr W rang customer services to complain, an adviser told him that late payment charges had been added to his account, and that there was nothing she could do about his credit file. Mr W was upset about the way he had been treated, and he decided to bring his complaint to us.

#### complaint resolved

When we first spoke to Mr W, he still hadn't received any statements from the catalogue company – so he didn't have the information he needed to make a payment.

Once we had been in touch with the catalogue company and it had sent us the information we needed to look into the case, we were able to give Mr W the information he needed to start making payments again. Mr W made a payment to his catalogue account straight away – and another payment the following month.

The catalogue company admitted that it had failed to set up Mr W's new repayment plan properly. It also told us that he had phoned them several times to find out what was happening. But it did point out that it had frozen the interest on his account, which had saved Mr W money. And it said it was not prepared to remove the adverse information from his account – because he had stopped making payments back in January.

Having weighed up all the evidence, we concluded that Mr W had stopped making payments while he had been waiting to hear from the company about his new repayment plan. And when we had given Mr W information about how to pay, he had made two payments – which we thought showed a willingness to pay.

We were satisfied that if the company had been in contact with Mr W when it said it would be, he would have made the necessary reduced payments towards his account. This would have meant that the adverse credit information would not have been recorded on his credit file.

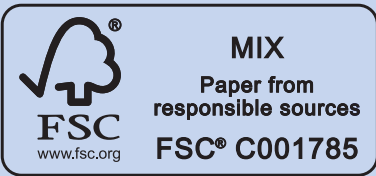
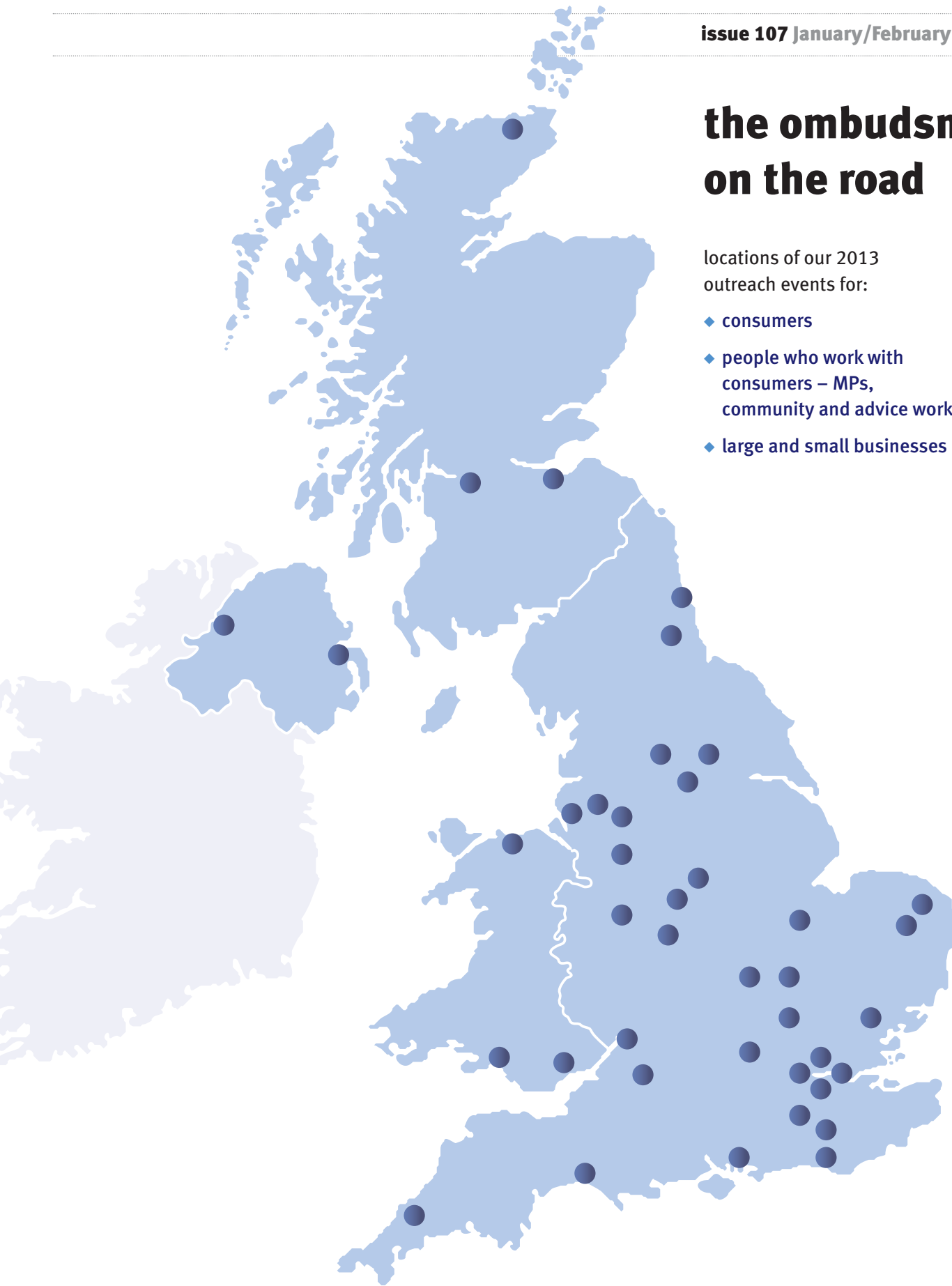
We accepted that the company had gone some way towards helping Mr W by freezing the interest on his account for a period of time. But its failure to set up the reduced repayment plan – as it had promised – had caused Mr W anxiety. And it had led to adverse information appearing on his credit file, which could have been avoided.

We spoke to the catalogue company to explain our view of the complaint. After that conversation, the company agreed to remove the adverse information from Mr W's credit file, set up his new repayment plan and pay him £50 compensation for the inconvenience it had caused him. We thought that was fair in this case, and Mr W was happy to settle his complaint on that basis.

# the ombudsman on the road

locations of our 2013  
outreach events for:

- ◆ consumers
- ◆ people who work with consumers – MPs, community and advice workers
- ◆ large and small businesses



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# Q? &A

featuring questions that businesses and advice workers have raised recently with the ombudsman's technical advice desk – our free, expert service for professional complaints-handlers

## question

**We insure a farmer who is claiming for storm damage to an outbuilding on his land. We sent out loss adjusters to inspect the building, and they found that it was in a very bad condition – in fact, they described it as being “at the end of its useful life”. In spite of the loss adjuster’s findings, we decided to pay the claim – and we appointed contractors who carried out £3,000 worth of repairs. A few months on, the repairs haven’t worked at all and water is coming in through the roof in several places. Would the ombudsman say that we have to pay out again?**

## answer

We would probably want to ask you more questions about your decision to pay for the repair work in the first place. If there was evidence of significant wear and tear – which you say there was in this case – we wouldn't expect you to have paid for the damage caused

by the water as long as wear and tear was clearly excluded in the consumer's policy.

However, if the loss adjuster found that there was genuine storm damage, we might ask why you didn't make a cash offer rather than going ahead with the building work.

You've confirmed that your contract with the consumer says that you will “indemnify him”. This means putting him back in the position he was in before the storm. If this hasn't happened, we might say that you need to make another payment.

## question

**I work for a charity that runs a women's shelter. Clients ask me all kinds of questions – and financial matters often come up. Just after Christmas someone spoke to me about her credit card bill. She was expecting it to be high, but when it arrived it was even higher than she'd expected. When we looked through the statement together, it turned out that the credit card company had increased her interest rate. She's really worried about how she's going to pay. What can she do?**

## answer

The first thing to do is contact the credit card company to talk about it. It might be that your client had a promotional interest rate that has ended.

Or that she has been using the account in a way that the business sees as more “risky” – for example, she might have been making a lot of cash withdrawals, or paying less than usual.

Credit card terms and conditions often say that the business can increase interest rates for “other reasons”, so check the agreement carefully or ask to see a copy of the terms.

The business should be able to explain what has happened. Your client should have been told that the rate was going to change at least 30 days before, she should go through the paperwork or ask the business for a copy of this letter if she thinks she hasn't received it.

If your client doesn't want to accept the rate increase, she can tell the business within 60 days of when it wrote to her about the change. She won't be able to use her card any more and her account will be closed. But she can pay back the money she owes at the interest rate she

had before the business changed it.

If your client was sent a letter about the change but didn't read it – and more than 60 days have passed – it might now be too late to opt out. But the business must treat her sympathetically if she is going to have problems paying. Encourage her to talk to the company first, but if this doesn't sort things out, then she can bring the complaint to us. She might also want to chat to her local branch of Citizens Advice or a free debt advice organisation like StepChange.



Financial  
Ombudsman  
Service