

The complaint

Mrs H is unhappy how Redhawk Legal Ltd (Redhawk) dealt with her claims for mis-sold Payment Protection Insurance (PPI).

What happened

In 2016, Mrs H instructed Redhawk to make claims for mis-sold PPI on her behalf. Some claims were successful in February 2019, but all of the compensation was offset against Mrs H's previous debts – she'd been declared bankrupt in 2008 and discharged in 2009. So Mrs H didn't actually receive anything.

Redhawk invoiced for their fees, in line with the terms and conditions Mrs H had agreed to. But, because Mrs H didn't pay these fees, in December 2019, Redhawk transferred the debt to a debt collection agency. Mrs H then agreed a reduced lump sum payment with the debt collection agency to clear the debt.

Mrs H has complained that Redhawk have charged her fees for PPI claims where she hadn't received any compensation. She's also complained about how Redhawk acted when pursuing her for these fees.

Our investigator said that, even though Mrs H hadn't read Redhawk's terms and conditions, this doesn't mean they don't apply. She felt that Redhawk acted reasonably by charging for the work they did, and by passing the debt to the debt collection agency when the fees hadn't been paid. And she said we couldn't consider the actions of the debt collection agency. So she didn't think Redhawk needed to do anything.

Mrs H didn't agree with the investigator. She says Redhawk were aware of her financial difficulties when they were dealing with her claims, and that she replied to a payment plan with Redhawk on the day it was offered – before the debt was transferred to the debt collection agency. So she doesn't think Redhawk acted reasonably by transferring the debt, and she doesn't believe the debt was outstanding for more than six months before this happened.

Mrs H has also said that Redhawk's original invoice was for £1,487.92, but she ended up paying £5,229.38. She doesn't think this is fair, so she's asked for an ombudsman to make a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, and while I appreciate this will be a disappointment to Mrs H; I've reached the same overall conclusions as the investigator, and for broadly the same reasons.

Firstly, I want to recognise the upset this has caused. I understand that being chased for a payment on compensation that wasn't actually received would've been upsetting. And it would've added to any financial pressures Mrs H was under at the time. But, for me to agree that Redhawk should compensate her for this, I'd need to be satisfied they did something they weren't allowed to do or didn't do something they should've. And in this situation, I don't think that's the case.

And while my decision will focus on what Redhawk did or didn't do, I won't be considering the actions of the debt collection agency. If Mrs H is unhappy how the debt collection agency acted, she'll need to raise a complaint with them in the first instance. The Financial Ombudsman Service can't become involved in a complaint until the financial business have had the opportunity to deal with it themselves.

I've seen a copy of the Letter of Engagement (LOE) signed by Mrs H on 16 October 2016. The LOE said Redhawk charge *"30% plus VAT on the successful completion of any claims"* and gave an example of how this would be calculated. And, in signing the LOE, Mrs H signed to say she'd *"read, agreed and retained a copy of the terms and conditions."*

Mrs H said she never read the terms and conditions when she instructed Redhawk. But she signed to say she had. It was her choice not to read the terms, but this choice doesn't mean she shouldn't still be bound by them.

I've also seen a copy of Redhawk's terms and conditions and the terms I consider most relevant and important are:

"9. The Client agrees to pay the Service Charge and is deemed to have irrevocably accepted an offer of Compensation in cases where an offer of Compensation, which in the reasonable opinion of the Company is fair and reasonable, and is consistent with the Financial Ombudsman Scheme."

"6. In the event the Company takes steps to recover any Service Charges unpaid by the Client to the Company, the Client shall pay to the Company the costs (including administrative costs) of taking such steps plus VAT."

In the 'Fee Examples Table', Redhawk also clearly explained that, where any or all of the compensation is used to repay any outstanding debt, their full fee would still remain due.

Although Redhawk made the claims for Mrs H in 2016, it wasn't until February 2019 that the claims were successful. I've seen the PPI provider wrote to Mrs H on 7 February 2019 explaining the claims had been successful; that the offers had been made in line with the Financial Ombudsman Service guidelines; and that any payments would be *"subject to clearance of any arrears you may have with {us}."* Mrs H accepted the offers. This meant that, under the terms she'd agreed to, Redhawk's fees were due.

Redhawk started chasing Mrs H for their fees in March 2019, but she told them she hadn't received the compensation yet. I've seen nothing to show me that Mrs H had told Redhawk she'd previously been made bankrupt up to this point, so everybody assumed there was a delay with the payment from the PPI provider. Redhawk kept chasing Mrs H, and it wasn't until November that she told them the compensation had been offset against her previous bankruptcy.

In an email of 28 November 2019. Redhawk offered Mrs H a payment plan of £50 per month, to clear the £1,487.92 she owed in 30 months. This email gave her until 6 December to decide whether to accept this or not, and Redhawk said they'd call her about it.

Mrs H says she replied to Redhawk the same day about the payment plan. But she also says she told Redhawk she was going to get legal advice about the matter. Redhawk took this to be a rejection of the payment plan and transferred the debt to the debt collection agency on 2 December. This was also the reason they didn't call her back on 6 December.

Mrs H has explained her intentions, which wasn't to reject the payment plan outright on 28 November. There was clearly a miscommunication here. But Mrs H could've contacted Redhawk when she received the letters from the debt collection agency (sent on 2 December), and had she done so the payment plan could've been sorted at this point. But she negotiated a reduced lump sum settlement with the debt collection agency instead.

I'm satisfied that, overall, Redhawk acted reasonably when dealing with Mrs H's claims. They were unaware of her previous bankruptcy while the claims were in progress, and they'd been chasing for their fees since March 2019. They offered a payment plan and were told in response that Mrs H was taking legal advice on the matter. They did transfer the debt to the debt collection agency four days earlier than they otherwise might've done, but I don't think this detracts from the overall service. So I won't be asking them to do anything more.

My final decision

For the reasons explained above I don't uphold Mrs H's complaint about Redhawk Legal Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 3 July 2020.

Andrew Burford
Ombudsman