

The complaint

Mr C complains that Premium Credit Limited didn't try and take a payment out of his account despite telling him it did. Mr C is represented by his sister.

What happened

Mr C says he had an insurance policy that was funded by an agreement with Premium Credit. There was a missed payment in January 2020 which was due to be re-taken on 7 February 2020 as well as a missed payment charge of £27.50. Mr C says that Premium Credit took the late payment fee but did not ask his bank for the actual payment. He says that his insurance policy was cancelled, and his bank confirmed that the late payment fee was the only payment request made. And he says he had enough money in the account to make the payment.

Premium Credit says the agreement was taken out in November 2019 and Mr C agreed to pay £24.04 a month by direct debit. It says the agreement made clear that a failure to pay the monthly premium is a breach of contract and may result in the agreement be terminated. And says it's not responsible for the cancellation of the insurance policy or the date of it. Premium Credit says it did try and take both payments and told Mr C he needed to make a payment.

Mr C brought his complaint to us and our investigator upheld the complaint. The investigator didn't think there was any evidence that Premium Credit had asked Mr C's bank for the payment of £24.04. And thought had it been asked for, then Mr C would have been up to date for his payments and the account should not have been defaulted. The investigator thought there should have been at least two missed payments before Premium Credit took action and the Information Commissioner's Office (ICO) suggested an account should be in three months arrears before it should be defaulted. The investigator didn't think Premium Credit had offered Mr C any support and recommended the balance of the policy should be written off (£211.36) and that Premium Credit should pay £200 compensation.

Premium Credit doesn't accept that view and provided evidence that a request was made for the full amount which included both required payments.

The investigator reconsidered his view but came to the same overall view.

Mr C accepts the investigator's view.

My provisional decision

I issued a provisional decision on this complaint and came to the provisional view that I didn't uphold this account for the reasons I explained

I listened to the call between Premium Credit and Mr C's sister and I was satisfied that she made clear what the complaint issue was- that Premium Credit did not ask Mr C's bank for the two payments and that the bank made clear only one payment had been requested.

I looked at the original credit agreement which I could see Mr C agreed to in 2019. That agreement made clear that a breach of the terms and conditions by a failure to pay, may result in the agreement being ended. I was satisfied Mr C was required to pay £24.04 a month but on 27 January 2020 the direct debit request was rejected by his bank. I thought it could be argued at that stage the agreement was potentially breached but, in any event, Premium Credit agreed to take the payment again on 7 February 2020.

I could see on 28 January 2020 Premium Credit wrote to Mr C and told him it would try and take the payment again and made clear there was a risk of the agreement ending. So, I thought Mr C ought reasonably to have been aware of the importance of making sure that payment was made and that it was his responsibility to pay the premiums. I appreciated Mr C says there was enough money in his account on 7 February 2020 to pay both the charge and the monthly payment. I made clear that I had not seen evidence of that and would have thought Mr C would have provided us that evidence.

I looked at Premium Credit's records and was satisfied it did ask Mr C's bank for the monthly payment and the charge. And I was satisfied that it has provided a record of the payment request of £24.04 being rejected by Mr C's bank. I said I thought that was the key part of this complaint and having looked at the evidence provided by Premium Credit, I didn't think it made a mistake or acted unfairly on this point and I didn't think it had any control over Mr C's bank's decision to reject the payment.

I didn't think Premium Credit would have any say over which payment request was processed first and, in any event, said that if Mr C was correct about having enough money in his account for both payments, then I thought his bank should explain why it rejected the payment request.

I appreciated that the investigator questions why the agreement was cancelled after one missed payment and that ICO guidance was not followed. I didn't think Premium Credit had any control over the cancellation of the insurance policy and wasn't responsible for the date of the cancellation. I didn't think a default was ever registered on Mr C's credit file and for the reasons I explained, I said the agreement was broken by Mr C not paying the agreed monthly payment.

For those reasons, my provisional view was that I didn't uphold this complaint. And I also thought that, as Mr C ought to have known how important the payment on 7 February 2020 was, he could reasonably have checked to make sure it was paid. I said that no doubt Mr C could provide further information about that as well as provide a copy of his bank statement for that time period before my final decision. I also hoped Premium Credit could provide further information about the rejection code for the failed February 2020 payment and if it intends to take action for the full agreement amount of over £200.

Premium Credit accepts my provisional decision and says it's not up to it to take action for the agreement amount.

Mr C's sister on his behalf says it was not Mr C's fault for what took place and he had enough money in his account. She says Premium Credit choose not to take the money

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 I have come to the same overall view that I reached in my provisional decision and for the same reasons.

I appreciate Mr C says that Premium Credit didn't request the two payments and he had enough money in his account to pay both amounts. But I have made clear that I have seen evidence that it did request both payments and Mr C's bank rejected one of those payments. I think Mr C could have provided me with his account statement to show how much money he did have in the account but hasn't done so. And if he did have enough money then he will need to ask his bank why it rejected one of the payments.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 June 2021.

David Singh
Ombudsman