

The complaint

Mrs L's complained that New Mount Reclaim Limited ("NMR") chased her for payment of a success fee for recovering mis-sold payment protection insurance (PPI) she didn't believe she owed.

What happened

In April 2021, Mrs L received a letter from NMR, advising her that a lender was about to refund her PPI of £540.28. The letter enclosed an invoice for a success fee of £252.85.

Mrs L was surprised to receive the letter. She checked her bank account and found she'd received nothing from the lender. So she contacted them directly. The lender told her she wasn't due any payment. After Mrs L contacted them a second time, they told her they'd made a payment to her in July 2020 – but not for the amount NMR said she'd receive. And the lender said they'd contacted Mrs L directly about the claim – not NMR.

Despite thinking she didn't owe NMR any money, Mrs L says she was inundated with calls demanding payment. So she complained to NMR about being told to expect a payment and that NMR had called her partner and failed to make security checks during calls. Mrs L didn't get any response to her complaint, so she referred it to our service.

Around the same time, Mrs L called NMR again. During the call, NMR agreed to accept £200 to settle the invoice and asked Mrs L to pay this immediately over the phone. Mrs L wasn't comfortable doing this and asked NMR for account details so she could pay by bank transfer. NMR provided some details, but they were incomplete and Mrs L was unable to make payment.

Our investigator contacted NMR for a response to the complaint and to get their business file. NMR didn't reply. So the investigator considered the complaint based on the information provided by Mrs L and on copy documentation he was able to obtain from the lender.

Having done that, our investigator concluded NMR hadn't dealt with Mrs L fairly. While he noted her concerns, he explained it isn't our role to decide whether NMR had breached data protection laws by contacting Mrs L's partner. Those matters are considered by the Information Commissioner's Office (ICO).

And he said that, although Mrs L was doubtful about what NMR had done, the lender had confirmed their involvement in Mrs L's claim. And, as that had been successful, NMR were entitled to charge her their fee.

But he didn't think NMR had treated Mrs L fairly in the way they pursued their fee. He noted the lender's letter to Mrs L referred to them withholding part of her refund for tax purposes. He noted NMR appeared to have (incorrectly) deducted the amount withheld for tax from what Mrs L received from the lender – which led to her confusion about the amount. And he said their letter had confused her because it didn't make clear the fee they were claiming

related to a sum she'd received in July 2020. He thought Mrs L should receive £50 compensation for this – which he said NMR should deduct from their £200 fee.

After the investigator shared his view with her, Mrs L contacted us to say she'd received a letter from NMR's solicitors demanding payment of their invoice, failing which they'd issue court proceedings. To avoid this, Mrs L paid the solicitors £200.

Because Mrs L paid more than the investigator thought she should have, and because NMR didn't respond to his view, I've been asked to make a 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 that, I'm upholding Mrs L's complaint. I'll explain why.

NMR didn't respond to our investigator's view of Mrs L's complaint. So, like him, I've had to base my decision on what Mrs L has told us, and on the additional information received from the lender.

Claims management companies (CMCs) such as NMR don't usually base their fees on the amount of work they do, but on making a successful claim. So, if their customer didn't get a refund, they'd be paid nothing. But if the claim was successful, NMR would be entitled to a fee, calculated as a percentage of what Mrs L recovered.

Lenders dealt with large volumes of PPI claims. That sometimes meant there was a delay in lenders advising CMCs a refund had been made to their client. But I've seen the confirmation from the lender that the payment they made to Mrs L in July 2020 was as a result of a claim submitted on her behalf by NMR. So I'm satisfied they were entitled to charge her a success fee. But I agree with our investigator that NMR weren't fair to Mrs L when they were trying to collect that fee.

I've looked at the letter NMR sent Mrs L in April 2021. The opening paragraph says:

"We have been informed by [lender] they are ready to make an offer with regards to your PPI claim; you will receive a letter with and offer. You should receive the funds by cheque or into your current account, in the next few days."

I understand why that raised Mrs L's expectations she'd receive a payment. And I can see why she didn't link it to the payment she'd received the previous year - particularly as the amount NMR told her she'd get was different to the payment.

Mrs L hasn't suggested she shouldn't pay the invoice. But she did contact NMR for clarification about what was due, and why. Given the confusion the letter of April 2021 caused, that was reasonable. I'm satisfied that, if those questions had been answered, Mrs L would have paid.

But, instead of answering her questions, NMR just contacted her repeatedly, pressing her for payment. I don't think that was fair.

Putting things right

I can see NMR reduced their invoice from £252.85 to £200. But, like our investigator, I don't think this reduction is enough to recognise the distress and frustration their lack of response to her questions clearly caused Mrs L.

I agree that the fair outcome is for NMR to limit their fee in this case to £150. And, because Mrs L has already paid them £200, NMR need to refund her £50 as compensation for how they dealt with her.

My final decision

For the reasons I'm upholding Mrs L's complaint and directing New Mount Reclaim Limited to refund Mrs L £50 as compensation for the distress they caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 15 June 2022.

Helen Stacey
Ombudsman