DRN-3944733

The complaint

This complaint about National Westminster Bank Plc (NatWest) has been brought on behalf of Mrs M and the estate of Mr M. Mrs M and the estate of Mr M are represented by Ms M.

The complaint before me is that NatWest did not calculate fair compensation after it mis-sold payment protection insurance ('PPI') to Mr and Mrs M.

What happened

Our adjudicator didn't think the complaint should be upheld. Her view was not accepted and so the matter has been passed to me for an ombudsman's 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.

The parties agree that PPI was mis-sold. So, I don't need to consider whether there was a mis-sale. I am looking at whether Mrs M and the estate of Mr M have been fairly compensated for that mis-sale.

My decision is the offer NatWest made to settle this complaint is fair. However, it will need to update the offer of 8% interest, which must be calculated and paid up until the date that Mrs M and the estate of Mr M get that money back. I'll explain the reasons for my decision below.

The first thing I have to look at is the date compensation should start and when it should be paid up until. NatWest has provided evidence of two PPI policies. It says it believes premiums were paid with effect from 22 September 1999 up to 22 August 2001 for the first policy; and from 16 June 2000 to 14 May 2002 for the second policy.

I can see that Ms M has stated strongly that Mr and Mrs M took their mortgage with NatWest out in 1989. And evidence from the Land Registry has been provided to support that complaint point. I have no reason to doubt that Mr and Mrs M did take a mortgage out with NatWest in 1989. But just because a mortgage was taken out in 1989, it doesn't necessarily follow that a PPI policy was sold at the same time.

I've given careful consideration to all the evidence provided by both parties in this case, but neither party has provided any evidence that PPI premiums were paid before 22 September 1999 or after 14 May 2002. So, I've proceeded on the basis that the policies were paid for during these dates.

I've next looked at whether the offer NatWest made to settle the complaint is fair. It looks as though the policies that were sold to Mr and Mrs M were regular premium policies. That means they would have paid a premium each month. They wouldn't have had to pay any additional charges, such as interest, on the cost of the cover.

So, to put things right in cases such as this, I'd expect NatWest to undertake a number of steps. First of all, I'd expect it to work out and refund how much Mr and Mrs M had paid each month towards the PPI. Then, it would need to add 8% simple interest to each payment from when the premiums were paid up until the date the premiums are refunded.

For the first policy, I can see that NatWest worked out that Mr and Mrs M paid £6.40 each month from 22 September 1999 up to 22 September 2000. It looks as though the cost of the cover increased to £12.80 from 22 October 2000 and it stayed that amount until 22 August 2001 when the last payment was made. Adding all that up, Mr and Mrs M paid £224 in premiums for the first policy.

I can see NatWest then calculated that up to 24 March 2022, 8% simple interest would have been £383.28. It then had to deduct 20% tax from that interest, which would have brought the simple interest down to £306.62. That means NatWest's total compensation offer for the first policy was £530.62 (£224 + £306.62). I'm satisfied this offer was fair up to the date it was calculated on 24 March 2022.

For the second policy, NatWest worked out that Mr and Mrs M paid £5.12 for PPI every month between 16 June 2000 and 15 August 2001. From 13 September 2001 up to 14 May 2002, £17.92 was paid for the PPI every month. With that in mind, I'm satisfied Mr and Mrs M paid PPI premiums of £238.08 for this cover.

For this policy, NatWest had calculated 8% simple interest up to 19 February 2021. It worked out that it owed simple interest of £370.18 and had to deduct £74.04 in tax. The total 8% interest NatWest offered to pay back was £296.14. So, the total offer for the second policy (£238.08 + £296.14) was £534.22. I'm satisfied that this offer was also fair up to 19 February 2021 when it was calculated.

However, that compensation has not yet been paid to Mrs M and the estate of Mr M. NatWest says a cheque for one policy was sent out, but I understand it has not been cashed. So, NatWest will need to recalculate the 8% interest for both policies and put things right as I have set out below.

Putting things right

NatWest has fairly calculated the amount of PPI premiums that were paid by Mr and Mrs M. It must now refund those premiums to Mrs M and the estate of Mr M.

As compensation has not yet been paid, NatWest must update its offer of 8% simple interest.

It must ensure that it adds simple interest to each PPI payment that was made by Mr and Mrs M from the date each premium was paid. It must calculate and pay that 8% simple interest up to the date that it is refunded to Mrs M and the estate of Mr M.

My final decision

I require National Westminster Bank Plc to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and the estate of Mr M to accept or reject my decision before 4 April 2023.

Nicola Bowes
Ombudsman