

complaint

Mrs M complained that Clydesdale Bank PLC (Clydesdale) mis-sold her a payment protection insurance (PPI) policy associated with her credit card.

background

Mrs M took out a credit card with Clydesdale in 2001. In 2005 a PPI policy was taken out associated with that credit card. The PPI only ran until 2006 when it was cancelled due to arrears on the credit card account.

Mrs M complained to Clydesdale that the PPI had been mis-sold. Clydesdale agreed to uphold Mrs M's complaint and offered to pay compensation. But Mrs M wasn't happy with the amount Clydesdale offered to settle her complaint and brought it to this service.

Our adjudicator said they thought the offer made by Clydesdale was fair. Mrs M didn't agree. She has also raised issues about the way she had been chased for a debt on the credit card and also disputed some of the dates that have been used.

As Mrs M disagreed with our adjudicator, the complaint has been passed to me for a decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

After careful consideration I'm not upholding Mrs M's complaint and I shall explain why in some detail, which will hopefully cover the issues Mrs M has raised.

The records provided of Mrs M's credit card account show it was opened in September 2001 but the PPI wasn't added until 2005. I have seen a letter dated 1 August 2005 sent to Mrs M that thanks her for taking out the PPI. Also, I can see from the credit card statements provided for the account that the first premium was taken on 1 August 2005 – she wasn't charged any PPI premiums before that.

The statements also show the last payment for PPI was charged on 1 September 2006. Statements from October 2006 onwards show no PPI being charged to the account. A letter dated 2 October 2006 to Mrs M states that the PPI has been cancelled as Mrs M was no longer eligible for it. It seems that by September 2006 Mrs M was in arrears on the account and this is why Clydesdale cancelled the PPI.

In this complaint I'm only looking at whether Clydesdale has offered fair compensation to put Mrs M back in the position, as far as possible, as if PPI was never added to her account. This means that Clydesdale needs to pay back to Mrs M all the costs of the PPI for both premiums and interest charged on those premiums. It also needs to pay Mrs M compensatory interest, of 8% simple, for any time she was out of pocket.

Clydesdale has worked out the premiums added to the card account plus interest charged on those premiums comes to £171.49. In addition the offer Clydesdale made included £111.82 compensatory interest, less basic rate tax of £22.36. So the total offered was £260.95.

I have looked carefully at the statements provided by Clydesdale and its calculation, which included all the costs of the PPI. And I think its offer is fair. I know Mrs M doesn't agree that to be the case and I would like to provide a little more information about the credit card account which may clarify some of her points.

Mrs M has raised points about the balance on her account being far higher than this amount of compensation. The balance on her account included her spending as well as the charges made for the PPI. The premiums for PPI were only added to the account for 14 months starting in August 2005. So the vast majority of the balance was made up of Mrs M's own spending, rather than the PPI. For instance, the balance at the end of July 2005, before the first PPI premium was added, was £1,316.15. This balance had been built up by Mrs M before any PPI was added. And by July 2005 Mrs M had already missed occasional payments.

I have seen letters from Clydesdale collections starting in April 2004, indicating that Mrs M had missed a payment. These letters don't indicate that the account was closed, they are just asking for Mrs M to pay the arrears.

Similar letters seem to be sent every few months during 2004 and early 2005 as it looks like Mrs M generally made up her payments, then missed another payment a month or two later. In April 2005, Clydesdale collections sent letters saying urgent action was needed to avoid legal action. And it seems Mrs M made acceptable payments to bring the account up to date. This was all before the PPI policy started.

But by February 2007 Mrs M was having further financial difficulties and so the credit card account was frozen. At this point the records indicate that the balance was £1,397.94, and no further interest was charged on it from that point on. A small amount of this balance, £171.49, was for the costs of the PPI which had been added from August 2005 to September 2006.

Although the PPI was cancelled in 2006, I can see that Clydesdale included all interest paid on the PPI premiums up to February 2007 in the compensation. And as I've said after this date no further interest was charged.

I know Mrs M has disputed the date the account was passed to collections; she says this happened in February 2005, not 2007. But as I said, Mrs M was receiving letters about her missed payments and arrears from Clydesdale collections department from 2004 – but the account was open until February 2007. February 2007 is when the account formally got suspended and no more interest was charged. An arrangement was then made with Mrs M to make fixed regular payments towards the debt owing.

Mrs M generally made these regular payments until late 2008, but then she seems to have paid lower amounts and again missed some payments. In May 2009 Clydesdale sold the debt to a third party. At this point the debt owing was £947.94 and for the purposes of Clydesdale's records the account was described as closed - with this debt owed to it as "written off". As Clydesdale had sold the debt it had no further legal interest in it.

Some of this debt sold to the third party included a little of the costs of the PPI. But Clydesdale included that in the compensation it worked out Mrs M was due. And no interest had been charged on the PPI since 2007.

Clydesdale's offer letter, dated 24 May 2017, says in the Appendix that the debt was sold in 2009. It goes on to say that Mrs M may wish to use the compensation to pay some of the debt sold to the third party, but that is entirely her decision.

Further, Clydesdale added 8% simple interest onto the total costs of the PPI after 2009. This is normally added to compensate the customer for being without their money. But here, Mrs M hadn't actually paid off all the PPI costs in 2009 as some of it remained in the debt sold. So she wasn't out of pocket for the full PPI costs at this time and that was the case until she cleared the full debt in 2014. This means Clydesdale may have paid her slightly too much in 8% simple interest, because it didn't know when she paid off the PPI. But it paid 8% on the total costs from the date the debt was sold. I think that's more than fair for Mrs M.

I have set all this out to hopefully explain some of the issues Mrs M has raised about the dates and why the debt may have been described as "written off". Mrs M has sent us some letters about the arrears on the account. The letters dated after 2009 make no mention of Clydesdale, which reflects that the bank didn't own the debt anymore by that point.

In summary, I think the Clydesdale's offer of compensation is fair and refunds all of the costs of the PPI. From 2009 Clydesdale no longer owned the debt and after this Mrs M continued to pay off the debt to the third party.

The actions of that third party are not something I can consider in this complaint. I can only consider the mis-sale of the PPI and if the way Clydesdale has worked out the compensation is fair. If Mrs M has issues about the actions of the third party, after the debt was sold by Clydesdale, she would need to initially take that up with the third party as a separate complaint.

The fact that Mrs M had to pay more to clear the debt on the card than the amount of compensation she got for the PPI does not make the compensation unfair. The bulk of the debt was for Mrs M's spending on the card, not for the PPI costs.

If the compensation has not yet been paid to Mrs M then Clydesdale will need to update the amount of 8% simple compensatory interest to the date the payment is made. But if Clydesdale has already made the payment to Mrs M then it doesn't need to do anything more.

my final decision

For the reasons I've set out I think Clydesdale Bank Plc has offered Mrs M fair compensation for mis-selling PPI to her. If it hasn't already paid the compensation it will need to update the 8% simple interest and pay the amount due to Mrs M. If the compensation has already been paid then Clydesdale Bank Plc doesn't need to do anything more.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs M to accept or reject my decision before 15 June 2018.

Christine Fraser
ombudsman