

complaint

Mr A's complaint is about the compensation offered to him by NewDay Ltd (NewDay) in respect of a mis-sold payment protection insurance (PPI) policy.

background

In 2012 Mr A complained to NewDay about the sale of a PPI policy. The policy was sold to him in connection with a credit card. Unhappy with NewDay's response Mr A brought his complaint to this service.

Following our involvement NewDay agreed to uphold Mr A's complaint and has offered Mr A a total of £4,343.90 in compensation for the mis-sale of the policy. This amount included a refund of premiums plus interest. However, as Mr A's account was in arrears, NewDay said it would use the redress to reduce those arrears.

Mr A did not accept NewDay's offer.

An adjudicator from this service contacted NewDay which has now agreed to pay the compensation direct to Mr A.

Mr A remains unhappy with NewDay's offer and has asked for an ombudsman to review his complaint.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. In doing so I have taken into account any relevant regulatory rules, the law and good industry practice. The relevant considerations in this case are materially the same as those set out in the section of our website explaining how we deal with PPI complaints.

NewDay has now agreed to uphold Mr A's complaint about the mis-sale of the policy. NewDay has also agreed to pay Mr A compensation. Therefore I will not address the issue of how the PPI policy came to be sold to Mr A.

Where a business has agreed to uphold a complaint about a mis-sold PPI policy, the purpose of any compensation is to put the consumer back in the position they would have been in if the PPI policy had not been sold.

I see that NewDay's offer includes a full refund of the PPI premiums paid by Mr A and the associated interest charged on those premiums as a result. It also includes an additional 8% simple interest per year for any period the account would have been in credit, had the PPI policy not been added to the account. Mr A has said that the bulk of the account balance was due to the PPI policy. However, in my view NewDay's calculation follows this service's approach and puts Mr A back in the position he would be in if he had not been sold the policy.

When it originally made its offer NewDay said it would use the compensation to reduce the outstanding debt. However I note that NewDay has sold Mr A's debt to a third part debt collecting agency (DCA). When NewDay sold the debt to a DCA that was a commercial decision and NewDay likely accepted an agreed price for the debt. This meant that Mr A now

owes and pays money to the DCA, not to NewDay, for that debt. So it would be our approach in such circumstances for NewDay to calculate the compensation and pay *all* parts of the compensation to the Mr A.

I see that NewDay has now agreed to this approach and has said it will pay Mr A the compensation directly.

Part of the reason Mr A has declined to accept NewDay's offer is because it has sold the debt to a DCA. I have not considered this point as this decision only deals with the issue of the PPI. However NewDay and the DCA have a responsibility to deal with Mr A fairly and helpfully regarding the arrears on his account. If Mr A considers that NewDay or the DCA have not treated him fairly in the way it has dealt with the arrears he should contact them in the first instance.

In summary I find NewDay's offer to be fair and reasonable and I am satisfied that it would put Mr A back in the position as if he had not been sold the PPI policy.

my final decision

My final decision is that NewDay Ltd offer of compensation in respect of the mis-sold PPI is fair and reasonable. I therefore make no other award against NewDay Ltd.

Steve Thomas
ombudsman