



complaint

Mr F's complaint concerns two payment protection insurance (PPI) policies sold to him at the same time as two credit cards in 1991 and 1994. Mr F says that National Westminster Bank Plc mis-sold the policies.

background

Following the involvement of this service NatWest agreed to uphold Mr F's complaint about the PPI policies. Our adjudicator wrote to Mr F in April 2012 to explain that NatWest was prepared to make an offer to settle his complaint and that it would be based on the general approach the Financial Ombudsman Service takes when we decide that a consumer has been mis-sold a PPI policy. Mr F accepted the offer on this basis.

As Mr F's accounts were both in arrears, some of the redress was used to repay the outstanding debts. The balance was paid directly to Mr F.

Mr F contacted the Financial Ombudsman Service shortly after he received the offer letters from NatWest as the figures he had been given did not show a clear breakdown of the premiums paid and interest. He specifically queried whether the interest had been paid compound.

Our adjudicator obtained a breakdown of the calculations from NatWest. He explained to Mr F that the 8% interest had been calculated correctly and in line with our approach – ie simple rather than compound. He also explained that NatWest had used some of the redress to repay the outstanding balance on Mr F's credit cards. He provided a copy of the breakdowns to Mr F.

Mr F remained dissatisfied with the calculations. He pointed out there were gaps in the PPI premiums and some of the premiums fell instead of going up. He explained that the amount of premiums used in the calculations differed from the statements he had.

Having sought further clarification from NatWest, an adjudicator explained to Mr F that because NatWest did not have any records from before June 2001, it had needed to make certain assumptions about what premiums Mr F had paid during this period. This was based on an average of the first 12 months of known data.

Mr F confirmed he was still not satisfied with the way the calculations had been done. Specifically he again queried the way the interest has been calculated. He also suggested NatWest should have paid the redress directly to him, rather than paying off the arrears on the credit cards, as he had more pressing debts.

my findings

I have included only a brief summary of the complaint above, but I have considered all of the available evidence and arguments in order to decide what is fair and reasonable in the circumstances.

I have considered the calculation breakdowns provided by NatWest to see if it has followed our approach when calculating the redress due to Mr F. While Mr F says the interest (on the

PPI premiums paid) has been calculated incorrectly, I am satisfied this has been compounded and the approach taken is appropriate. I say this because the breakdowns I have seen show a general trend where the amount of 'interest due' each month increases over time and appears to have been calculated based on the sum of the previous months' premiums *and* interest.

NatWest has needed to use some assumptions when doing the calculation, as its records do not go back before June 2001. As Mr F has confirmed he has no statements from this period, this seems to be a reasonable approach.

Mr F has asked for the redress to be paid directly to him, rather than being used to repay the outstanding balance on his credit cards. I understand he now has other debts which he considers to be more pressing than his credit card debts.

It is not in dispute that Mr F owed money to NatWest in relation to his credit card accounts. These debts were cleared as a result of the redress being paid in June 2012. In general terms, the approach taken by NatWest is not unreasonable. However, in some circumstances I might decide it would be fair for a business to pay all of the compensation to the consumer. For example, where a consumer can demonstrate they have other debts that are more serious or pose a greater threat to them.

Mr F says he did ask NatWest whether it should have paid the compensation directly to him, shortly after he received it and was told it had a 'right' to use the money to reduce his outstanding debts. But Mr F has never raised this as a concern with the Financial Ombudsman Service before. If Mr F's other debts had been as pressing as they are now in June 2012, it seems likely he would have mentioned them to us previously.

I appreciate Mr F is currently in a difficult position and does have other debts that are being actively pursued. I am sympathetic to his position. But if I instructed NatWest to pay all the redress directly to Mr F, this would essentially just move his debt from one place to another. Mr F has provided little evidence to demonstrate that his current financial difficulties would be significantly alleviated if he were to receive all of the compensation from NatWest.

Given all of this, I do not consider it would be fair to instruct NatWest to pay the money it used to repay Mr F's credit card debts in June 2012, directly to him now.

In summary, I am satisfied the calculations carried out by NatWest were done so following the Financial Ombudsman Service's approach and it was fair to use some of the compensation payments to repay Mr F's outstanding credit card debts.

my final decision

My final decision is that the compensation calculated by National Westminster Bank Plc is fair and reasonable in the circumstances of this complaint. And it would not be fair for me to instruct NatWest to pay all of the compensation to Mr F.

Claire Allison
ombudsman