complaint

Mr A's complaint is about a payment protection insurance (PPI) policy sold to him by Lloyds Bank PLC.

Mr A's main complaint is that he says Lloyds' actions caused him to lose the opportunity to "short-settle" his credit card account for £3,300. Lloyds later sold the outstanding debt of £16,970.55 to an external debt collecting agency (DCA).

background

Mr A initially tried to make a claim on the PPI policy which was declined. Mr A's account then got into arrears and he says he reached an agreement with Lloyds' in-house DCA to settle the account for £3,300.00 which was a substantial discount on the actual amount owed.

Mr A says he was advised by Lloyds to resubmit his claim to the PPI insurer which he did. It's not clear what happened with the claim. But when Mr A later tried to clear his account with the short-settlement amount of £3,300.00 he says the offer was withdrawn.

Lloyds sold the debt to an external DCA in February 2011. My understanding is the debt now outstanding is around £17,500.00.

Mr A has asked this service to step in.

Lloyds treated the complaint as a mis-sale complaint about the PPI policy. And in September 2013 it wrote to Mr A upholding the complaint about the sale of the policy. It sent Mr A a cheque for £12,899.77 which it said would put him back in the position he'd be in if the PPI policy hadn't been sold to him.

After further correspondence with this service Lloyds also sent Mr A another cheque for £200.00. This was compensation for the inconvenience and distress Mr A had experienced due to Lloyds delay in paying him the compensation.

Mr A remained unhappy with Lloyds' actions. Mr A told us he would accept Lloyds offer but only if he was able to clear his debt for £3,300.00.

Our adjudicator wrote to Lloyds, asking for clarification around how it had calculated the compensation. The adjudicator also asked for Lloyds' position on the offer to "short-settle" the account.

Lloyds has told us it has no information about any offer made to Mr A agreeing to settle the account for £3,300.00. Lloyds said that as the account had now been sold to an external DCA he'd have to contact them to reach an agreement over repayment of the account.

Lloyds recalculated the compensation it had paid Mr A. This time the calculation showed that Lloyds should pay Mr A the sum of £13,942.43, this included £200.00 for distress and inconvenience.

As Lloyds had already paid Mr A £13,099.77 this left a further £842.66 outstanding.

Mr A didn't accept the new offer and asked for further compensation for the distress and inconvenience he's experienced.

In June 2015 I issued my provisional findings on Mr A's complaint and invited both parties to comment and provide any additional evidence for me to consider. A copy of my provisional decision is attached and forms part of this final decision.

My provisional findings were that I wasn't intending to uphold the major part of Mr A's complaint, my main reasons were:

Having looked at Lloyds' latest offer of £13,942.43 I thought it had been calculated fairly and was what I would've expected Lloyds to have done.

At the time I issued my provisional findings I hadn't been given any documentary evidence of the offer made to Mr A to "short settle" the debt for £3,300.00. But I said that even if Mr A had been able to do this it would mean that Lloyds had in effect "written off" over £13,500.00 of debt owed by Mr A. So it follows that I wouldn't find it fair for Lloyds to then pay Mr A £13,942.43 for the mis-sale of the PPI policy. So I didn't think any action taken by Lloyds had caused Mr A to lose out.

I did find that Lloyds had handled Mr A's complaint poorly. In particular I couldn't see that Lloyds had actually addressed his complaint about the offer to short settle his debt. Lloyds had treated his complaint purely as a complaint about the mis-sale of the policy. So I said I was intending to award Mr A a further £500.00 for the distress and inconvenience he had experienced because of the way Lloyds handled the complaint.

So I said Lloyds should pay Mr A a total of £14,442.43. As it had already paid him £13,099.77 it needed to pay Mr A a further £1,342.66.

Lloyds told us it received my provisional decision but hasn't made any further comment.

Mr A replied to say he disagreed with my initial findings. Mr A also gave us some letters including two from Lloyds' in-house DCA from 2008. These showed that it did make Mr A an offer to "short-settle" the debt for £6,788.22. Mr A says he contacted the DCA after he got the first of these letters in September 2008. Mr A says the DCA verbally agreed a settlement of £3,394.11 which was 60% of its written offer.

Mr A also gave us a letter from the PPI insurer dated October 2008. This letter confirms that Mr A submitted a claim on the policy. The letter goes on to say that Mr A should complete and return the enclosed claims form.

my findings

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

We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Mr A's case.

<u>Lloyds' calculations</u>

As I said in my initial findings, the latest offer from Lloyds seems to have been calculated how I'd expect it to be. Lloyds reconstructed Mr A's account as it would've been if there had been no PPI added to it. It then refunded the difference between the actual balance when it was passed to the DCA and what the balance would've been without PPI. Lloyds also added interest calculated at 8% simple to this figure. So I think the offer Lloyds has made to Mr A is calculated fairly.

Mr A's claim in November 2008

Mr A sent us evidence of the claim he made to the insurer in 2008 after he received the offer to short settle the account. I've read the letter sent to Mr A by the insurer. It shows Mr A had spoken to the insurer and that a claim form had been partially completed and sent to him. Mr A says he doesn't believe the claim was declined and as far as he's concerned the claim is still outstanding.

Although Lloyds sold the policy to Mr A it's the insurer that administers it and should deal with any claims. So if Mr A feels that his claim was never properly dealt with then he needs to contact the insurer rather than Lloyds.

the offer to "short-settle" the account

I've now seen evidence that the DCA did write to Mr A twice in September and October 2008 and offered to settle the debt for £6,788.22. Mr A says he spoke to the DCA after getting the first letter and reached a verbal agreement to settle the debt for £3,394.11.

The major part of Mr A's complaint is that he says Lloyds then advised him to make a claim on the PPI policy instead of settling the debt with the DCA. Mr A says that when he later approached the DCA the offer was withdrawn.

In my view Mr A could've still paid the agreed sum to the DCA and cleared the debt even if Lloyds did advise him to make a claim on the policy instead. And if Lloyds did advise Mr A to claim on the policy it was most likely just pointing out that this was an option for someone who was facing financial difficulty.

But even if I were to accept that Mr A lost out on the chance to settle the debt for £3,394.11 because of something Lloyds had done, it still wouldn't make any difference to the outcome of Mr A's complaint.

I say this because the outstanding balance of the credit card was around £17,000.00 in 2007. If Mr A had settled the debt for £3,394.11 then Lloyds would have written off £13,605.89. If that had happened then I would now think it wasn't fair to order Lloyds to pay Mr A £13,942.43 for the mis-sale of the PPI policy. Instead I think it would be fair to allow Lloyds to set that sum against the amount that it'd previously written off.

So overall I don't think Mr A is in any worse position because of any actions Lloyds may have taken when he was negotiating with the DCA.

My understanding is that the debt now stands at around £17,500.00. So if Mr A uses the compensation from the PPI mis-sale to reduce that debt he would only be left with around £3,500.00 outstanding on the balance. And this is almost exactly the amount that Mr A says the DCA had agreed to accept to settle the debt in 2008.

Lloyds' handling of the complaint

I've also thought again about the way Lloyds handled Mr A's complaint. And I've taken into account Mr A's comments about the way it's affected his wellbeing. But Lloyds had already offered Mr A £200.00 for the distress and inconvenience he had experienced. And with the additional £500.00 I said I was intending to award this would make a total of £700.00.

As I said in my provisional decision, I do think Lloyds' failure to deal with the actual complaint point raised by Mr A must have caused him some distress and not a little inconvenience. But taking everything into account I think that £700.00 is an appropriate amount to compensate Mr A for Lloyds' failures in this case.

summary

Lloyds should pay a total of £14,442.43 to Mr A. This being made up of £13,742.43 compensation for the mis-sold PPI policy; plus £200.00 already offered by Lloyds for the delays in making payment; plus a further £500.00 for the distress and inconvenience experienced by Mr A because of Lloyds' handling of his complaint.

My understanding is that Mr A has already received two cheques totalling £13,099.77.

So Lloyds should pay Mr A a further £1,342.66

my final decision

My final decision is I direct Lloyds Bank PLC to pay Mr A £1,342.66.

I don't make any other award against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 21 September 2015.

Steve Thomas
ombudsman

copy of my provisional decision

complaint

Mr A's complaint is about a payment protection insurance (PPI) policy sold to him by Lloyds Bank PLC.

Mr A's main complaint is that he says Lloyds' actions caused him to lose the opportunity to "short-settle" his credit card account for £3,300. Lloyds later sold the outstanding debt of £16,970.55 to an external debt collecting agency (DCA).

background

Mr A initially tried to make a claim on the PPI policy which was declined. Mr A's account then got into arrears and he says he reached an agreement with Lloyds' in-house DCA to settle the account for £3,300 which was a substantial discount on the actual amount owed. Lloyds has told us it has no record of this agreement and I've not seen any documentary evidence of it.

Mr A says he was advised by Lloyds to resubmit his claim to the PPI insurer, but this second claim was declined. When Mr A then tried to clear his account with the short-settlement amount of £3,300 he says the offer was withdrawn.

Lloyds sold the debt to an external DCA in February 2011.

Mr A has asked this service to step in.

Lloyds treated the complaint as a mis-sale complaint about the PPI policy. And in September 2013 it wrote to Mr A upholding the complaint about the sale of the policy. It sent Mr A a cheque for £12,899.77 which it said would put him back in the position he would be in if the PPI policy hadn't been sold to him.

After further correspondence with this service Lloyds also sent Mr A another cheque for £200. This was compensation for the inconvenience and distress Mr A had experienced due to Lloyds delay in paying him the compensation.

Mr A remained unhappy with Lloyds' actions. Mr A told us he would accept Lloyds offer but only if he was able to clear his debt for £3,300.
Our adjudicator wrote to Lloyds, asking for clarification around how it had calculated the compensation. The adjudicator also asked for Lloyds' position on the offer to "short-settle" the account.

Lloyds has told us it has no information about any offer made to Mr A agreeing to settle the account for £3,300. Lloyds said that as the account had now been sold to an external DCA he'd have to contact them to reach an agreement over repayment of the account.

Lloyds recalculated the compensation it had paid Mr A. This time the calculation showed that Lloyds should pay Mr A the sum of £13,942.43, this included £200 for distress and inconvenience.

As Lloyds had already paid Mr A £13,099.77 this left a further £842.66 outstanding.

Mr A didn't accept the new offer and has asked for further compensation for the distress and inconvenience he's experienced.

my provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Mr A's case.

Lloyds has agreed to uphold Mr A's complaint about the mis-sale of the policy. So I won't look into how the PPI policy came to be sold to him.

Lloyds' calculations

First of all I've looked at how Lloyds has calculated the compensation for the mis-sale of the PPI policy to Mr A.

I can see that in its latest offer dated February 2015 it offered Mr A £13,742.43 plus a further £200 for the distress and inconvenience he had experienced. Lloyds worked out what Mr A's account balance would have been in November 2007 if he had not been sold the PPI. This is when the account was passed to its internal DCA.

The difference was £9,262.55 and Lloyds agreed to refund this amount. This figure included an amount to cover fees which had been applied which wouldn't have been if the PPI hadn't been sold.

Lloyds then added interest at 8% simple to this amount calculated up to the date of the offer. This amount was £5,599.85. Lloyds then deducted basic rate interest tax of £1,119.97 from this amount, which it has to do.

All the above is what I would have expected Lloyds' to do. So I think Lloyds' offer is fair and reasonable and returns Mr A to the position he would be in if the PPI policy hadn't been sold.

the offer to "short-settle" the account for £3,300.

Mr A told us he had reached an agreement with Lloyds' in-house DCA to pay £3,300 to settle the account. But Mr A has said Lloyds persuaded him to delay doing this until he had made a claim on the PPI policy. When the claim was declined by the insurer Mr A says the offer to clear the debt for £3,300 was no longer available.

On the other hand Lloyds has told us it has no record of any agreement to allow Mr A to settle his account for £3,300.

I don't doubt there was some discussion between Mr A and Lloyds' in-house DCA about agreeing a "short-settlement". I say this because it's part of what a DCA would do. Mr A's account balance was nearly £17,000 at the end of 2007 so it could be the DCA discussed settling for a smaller amount.

That being said, if a definite agreement had been reached I would expect to have seen some documentary evidence of it, either from Mr A or Lloyds' records. But I haven't seen any evidence of such an agreement.

But even if there was an agreement in place I don't think Mr A has been disadvantaged by any action of Lloyds, I say this for the following reasons:

From what I've seen Mr A owed £16,970.55 on his credit card account in 2007. So if he had been able to clear the debt for only £3,300 it means Lloyds would have written off £13,670.55.

But if Mr A had then complained about his PPI policy I would have said it was fair for Lloyds to use the compensation to offset the amount it had written off. In other words I wouldn't think it was fair for Mr A to receive the compensation for a mis-sold PPI policy on an account where a substantial debt had been written off.

So it seems to me Mr A is in a similar position now to where he was 2007. My understanding is that the debt was sold to an external DCA in 2011 and now stands at around £17,500. So Mr A could use the compensation from the mis-sold PPI policy to reduce his debt to around £3, 500. And it could be that the DCA may accept a smaller amount to settle the debt. Indeed I've seen a letter from the DCA dated October 2013 addressed to Mr A saying it would consider any "sensible offer".

So after taking everything into account I can't be sure there was a definite offer made in 2007 to settle the account for £3,300. But even if there was I don't think any action taken by Lloyds has caused Mr A to lose out.

<u>Lloyds' handling of the complaint</u>

Mr A has told us he's experienced a lot of distress and inconvenience because of Lloyds' poor handling of this complaint.

I've thought about this and I think Lloyds' actions have caused a lot of delays.

In particular, I am concerned that Lloyds has never actually addressed Mr A's main complaint that he lost out on the chance to "short-settle" the account. I can see that Mr A raised this issue in the complaint form he completed for this service in 2011. But it's only recently that Lloyds has commented on it.

I can also see that there have been a lot of other unnecessary delays dealing with the complaint. And Mr A has told us he tried to contact Lloyds himself but his correspondence wasn't replied to.

I think all this must have caused Mr A a lot of upset and trouble. And I'm currently thinking of awarding Mr A a further £500 to compensate him for this.

<u>summary</u>

I think Lloyds should pay a total of £14,442.43. This being made up of £13,742.43 compensation for the mis-sold PPI policy; plus £200 already offered by Lloyds for the delays in making payment; plus a further £500 for the trouble and upset experienced by Mr A because of Lloyds' handling of his complaint.

My understanding is that Mr A has already received two cheques totalling £13,099.77.

So Lloyds should pay Mr A a further £1,342.66

my provisional decision

For the reasons set out above, but subject to both parties' responses to this provisional decision, I'm intending to direct Lloyds Bank PLC to pay Mr A £1,342.66.

I don't intend to make any other award against Lloyds Bank PLC.

Steve Thomas
ombudsman