

## **complaint**

Mr W's complaint is about the way The Co-operative Bank Plc (the Co-op) dealt with claim payments made under a payment protection insurance (PPI) policy he took out with a loan.

## **background**

In March 2005 Mr W took out a loan with the Co-op for £15,000. At the same time he was sold a single premium PPI policy at a cost of £5,115.33 which was added to loan, making the total borrowed £20,115.33.

In August 2005 Mr W had to stop work due to illness and he stopped making his loan repayments. Mr W says he tried to claim on his PPI but there were delays in the processing his claim and payments being made.

The Co-op says as Mr W had made no payments since September 2005, in December 2006, it referred the debt to its collections department. At this time the amount still owed was £17,270.15. Mr W made a payment of £1 towards the debt so in July 2007 the Co-op sold the debt of £17,269.15 to a third party.

Mr W says his claim on the PPI policy was difficult to make and delayed and he says the Co-op was unhelpful and responsible for this.

Mr W's insurers sent a payment to the Co-op in April 2008 for £9,852.81 for loan repayments that should have been made to the debt under the PPI policy. The Co-op says this was passed electronically to the third party who had bought the debt.

The insurer has also confirmed that it sent the Co-op monthly payments to pay the loan from May 2008. The Co-op says seven payments totalling £2,089.99 were not passed on to the third party. The insurers paid a total of £14,032.79 under the PPI policy which should have gone towards payment of the debt.

If these total payments were made against the debt it would leave £3,236.36 outstanding for Mr W to pay. The Co-op has agreed with the third party that when the £2,089.99 is paid, this will show the debt as settled in full. So Mr W would not have to pay anymore for the debt he owes.

The Co-op agreed it hadn't dealt with Mr W's account well and has also offered to pay directly to him a further £250. In total it is offering £3,486.36 to settle the complaint, with £3,236.36 being cleared from the debt and £250 paid direct to Mr W.

Mr W wasn't happy with this offer. He felt he should be paid far more for the trouble and upset he'd been caused by the way The Co-op had dealt with his account and for the upset caused when the debt was being chased by third party debt collectors.

An adjudicator from this service thought the Co-op's offer was fair. Mr W is still unhappy and has asked for an ombudsman to look at his complaint.

## **my findings**

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

Mr W took out his loan but after making only five repayments was unable to carry on paying as he wasn't able to work. There has been little evidence provided by either party about the contact that was made between them, from the time Mr W stopped paying in August 2005 and when the Co-op passed the debt to its collections department.

Mr W says the Co-op was unhelpful and appointed various debt recovery agencies. But it seems the debt was first referred to the collections department in December 2006. This was over a year after Mr W stopped making his repayments.

Mr W also wanted to claim on his PPI policy and says the Co-op delayed this by giving him the correct insurance company name. Although I note the insurance company responsible for Mr W's PPI policy was part of the same group as the insurance company name he says the Co-op gave to him.

It wasn't until April 2008 that the Co-op received a payment from the insurers for the PPI claim for Mr W's loan. By this time, in fact in July 2007, the Co-op had sold the loan to a third party. The Co-op did pass this payment on to the third party by electronic transfer.

Further payments were made monthly to the Co-op by the insurers between May 2008 and June 2009, but the Co-op accepts that it didn't pass on all of these payments to pay the debt. In total the insurers paid £14,032.79 to the Co-op to pay for the debt. If all of this had been paid to the third party who owned the debt it would have reduced it to £3,236.36.

Mr W is unhappy that he was chased for the debt payment, saying he was held responsible until July 2013. In 2013 the Co-op wrote to Mr W to say it would pay the full amount it had received from the insurers to the third party. And it had also agreed when the amount of £2,089.99 had been paid to the third party, the outstanding balance of £3,236.36 would be written off and Mr W would no longer be asked to pay any more to the debt. The Co-op also said it would pay £250 to Mr W for the trouble and upset he had been caused for the mistakes the Co-op had made.

The Co-op wasn't responsible in this case for processing Mr W's claim under the PPI policy - that was for the insurer. The Co-op may have added to some of the delay, but as Mr W wasn't paying for his loan it followed its processes to pass the loan debt to its recoveries department and then sold it on.

Mr W has agreed that he has made no repayments to his debt since it was sold and it seems he only paid £1 after he stopped making the monthly repayments. I can understand that Mr W is upset that he was chased for the debt when he was trying to make a claim on his policy. But not all that delay was caused by the Co-op. Mr W stopped paying for his loan in 2006 but his claim wasn't processed at all until 2008. It seems the Co-op didn't charge an interest on the loan and I don't think it can be held fully responsible for the delays. Mr W also didn't make any minimal payments to the loan other than £1 on one occasion.

But the Co-op did make mistakes in not passing on all the payments it received to pay towards the debt. It isn't clear why it didn't pay on these payments and it seems to have held onto over £2,000 from 2009 to 2013.

The offer to clear the whole debt now means Mr W has really received £3,236.36 plus any payment for trouble and upset. At £250 as offered by the Co-op this makes an effective total amount of compensation of £3,486.36.

Mr W has said he would've been able to negotiate a reduced settlement figure with the third party himself. But I haven't seen any evidence that Mr W actively engaged with the third party debt company. The Co-op say he told it 2013 he hadn't made any payments since the debt was sold and had no idea how much he owed.

The third party collecting the debt since 2008 was not a recovery agent acting on behalf of the Co-op, so the Co-op can't be held responsible for the actions this third party took in recovering the debt. But the Co-op should have paid the money it had towards the debt earlier.

Overall I think that the Co-op held onto an amount of money for far longer than it should've and this error did cause additional upset and distress to Mr W at what was most likely a difficult time. But I think the Co-op's offer of £250 for the trouble and upset caused is fair, when taken alongside the amount that has been written off the debt Mr W owed.

### **my final decision**

For the reasons I've outlined I'm not upholding Mr W's complaint as I think the offer made by The Co-operative Bank Plc is fair.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 May 2016.

Christine Fraser  
**ombudsman**