

complaint

Mr R's complaint concerns a loan with an associated payment protection insurance (PPI) policy taken with Santander UK Plc. He considers that the PPI was mis-sold as he was not made aware that it was optional and is unhappy that he was unable to make a claim for unemployment. Further, he feels Santander failed to respond appropriately to his financial difficulties and that the remaining loan balance is too high. He considers in any event the debt should now be written off. He also considered that he has been subjected to inappropriate actions when the bank tried to recover the debt from him.

our initial conclusions

Our adjudicator was satisfied that Santander's offer with regard the sale of PPI was in line with this service's guidelines. Further she considered that it exceeded any benefit Mr R might have received had he been able to make a claim for unemployment.

She was satisfied that statements provided by Santander illustrated that the loan balance had reduced correctly with repayments made and that Santander responded positively and sympathetically to Mr R's financial difficulties. She also considered that Santander – as well as the agent acting on its behalf which I will refer to as "Q" – had been entitled to pursue the debt as it had.

Mr R reiterated his previous stance and he also responded to say that payments should have been made to the loan by the PPI policy as soon as he was unable to meet them. He was also dissatisfied that Santander planned to use any PPI redress to off-set the outstanding debt. Further, he considers that Santander continued to apply a significant amount of interest after it had accepted that he was in financial difficulties.

my findings

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

Santander need take no further action in relation to the PPI policy

There seems to be no dispute that the PPI was mis-sold to Mr R. Santander has offered to make a payment to Mr R to place him back – as near as is possible – in the financial position he would have been in had he not taken such a policy. I am satisfied that that offer has been made in line with our guidelines.

The maximum claim duration for unemployment under the policy was twelve months. Therefore, even if I were satisfied that Santander somehow prevented Mr R from making such a claim I could only order it to pay a sum equivalent to twelve loan repayments of £336.37. If I did order Santander to pay that sum, we would consider it fair and reasonable for Santander to deduct it from the compensation for the mis-sale. So overall it would not change the amount offered to Mr R. as a result– I find I do not need to consider whether Santander's actions prevented Mr R making an insurance claim under the policy.

Santander offered redress of £7,676.45 on 10 February 2012. I would expect that that figure would increase should Mr R decide to now accept it – as Santander should include statutory interest at 8% simple to the date of settlement. However, it is clear that the amount of PPI redress will still fall well short of the outstanding loan debt. In the circumstances, I consider it

understandable that Santander should want to use the PPI redress against the arrears on the outstanding loan debt. In other words, I cannot fairly order Santander to pay any PPI redress direct to Mr R unless it exceeds the amount of the outstanding debt.

Santander's explanation of the loan balance

The loan that Mr R took with Santander had interest – of £5,437.12 – front loaded at inception. The statement that Santander has recently provided to this service shows that to be the case and that all repayments made by Mr R therefore reduced the outstanding balance by an equivalent amount.

However, the two loan statements issued to Mr R by Santander on 14 October 2010 and 2011 indicate something different. These show a reducing balance and a debit of £3,025.48 indicated to be '*outstanding interest*' – which increases the outstanding balance – made on the 14 October of each year. As such I can quite understand why Mr R was concerned that Santander had continued to apply interest – indeed the closing balance of these statements is higher than the opening balance one year previous.

Santander has now provided explanations and statements which persuade me that the '*outstanding interest*' shown on the statements sent to Mr R is in fact due and part of the front loaded interest. I am satisfied, therefore, that Santander has not overcharged interest to Mr R. That said, I can quite understand why the statements caused Mr R to worry that he was being overcharged; they were unclear. Further, I consider that Santander failed to answer Mr R's concerns about the interest in a timely or clear manner. Those failings caused Mr R some distress and inconvenience and I consider that Santander ought to pay him £150 to compensate him for that experience.

Santander did treat Mr R positively and sympathetically

Where a customer is experiencing financial difficulties businesses should behave in a positive and sympathetic way towards them. Mr R argues that Santander ignored his repeated requests for help and failed to assist him in his financial difficulties. While Santander's notes do suggest that Mr R was unhappy that it had not responded to correspondence – which Santander said it had not received – they also show that Santander was willing to discuss Mr R's position.

Specifically, the notes suggest that Santander advised Mr R to seek free and independent advice about his debts and that it did enter into negotiations with regard a short settlement of the debt. I understand that Santander was unwilling to accept the offers of short settlement that Mr R put forward, but it did make counter offers which represented a significant reduction to the debt. I understand that Mr R could not take advantage of the short settlement offer made by Santander, but it is not obliged to offer any reduction. I could not order Santander to offer reductions to the debt and, overall, I consider that its actions were positive and sympathetic.

Santander's debt recovery actions were not inappropriate

On balance, I am not satisfied that the debt recovery activity of Santander or Q was inappropriate. The records of both Santander and Q indicate that, at most, Mr R was contacted three or four times per month. But once repayment arrangements had been reached that level of contact reduced significantly. While I understand that Mr R might have preferred it if he had been contacted less frequently I am not persuaded that the level of contact amounted to harassment and I note many collections calls went unanswered. It follows I do not uphold this part of the complaint.

my final decision

My final decision is that I uphold the complaint in part. In full and final settlement of the complaint I order Santander (UK) Plc to pay Mr R £150.

Joyce Gordon
ombudsman