Financial Ombudsman Service

complaint

Mr D says Barclays Bank Plc hasn't paid him enough compensation after it mis-sold him a payment protection insurance (PPI) policy.

background

Mr D complained to Barclays about the sale of a PPI policy that ran alongside his mortgage.

Barclays upheld Mr D's complaint and offered him compensation of around £10,000 to put him back in the position he would be in if the PPI hadn't been sold to him.

Mr D doesn't agree with how Barclays worked out the offer and doesn't feel that it was fair. He said that he thinks Barclays owe him more than what they've already paid.

Our adjudicator thought that Barclays' offer was fair. Mr D didn't agree with what the adjudicator said and asked for an ombudsman to review his complaint.

my findings

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

As Barclays has agreed to settle Mr D's complaint, I'm not going to look into how the PPI was sold. But I do have to decide whether it needs to do anything more to put things right.

Barclays refunded the PPI premiums that Mr D paid for the policy. It also paid 8% simple interest per year from the date each premium was paid to recognise that Mr D has been out of pocket.

Mr D wasn't happy with how Barclays had worked things out. He thought that just over £10,000 for a 19 year period was low considering the amount of profit that Barclays earns.

But the purpose of PPI compensation isn't to fine or punish a business, it's to put the customer back in the position they would've been in if they'd never had the PPI. Mr D paid almost £6,000 for the PPI policy. So as well as refunding that, Barclays also needed to compensate him for the time that he was without that money. When we don't know what a customer would've done with that money if they'd been able to use it, we'd usually tell the financial business to pay interest at the same rate used by the courts. Since 1 April 1993, this rate has been 8% simple. But before 1 April 1993, this rate was 15% simple.

Mr D started to pay for PPI in November 1992. So Barclays should've paid 15% simple interest for the payments that Mr D made before 1 April 1993. And from what I've seen, I think Barclays may only have paid 8% simple interest.

So Barclays should recalculate the compensation using 15% simple for any amounts Mr D was out of pocket before 1 April 1993 if it didn't use this rate in its offer. This means Barclays will then have paid simple interest in line with the court rate which is what we consider fair to make sure that Mr D isn't out of pocket.

This isn't likely to give Mr D what he thinks he should get. But as I've said, I can only look at what will put Mr D as far as possible in the position he would've been if he'd not bought the PPI. And I think if not already the case, once Barclays use the correct simple interest rate, the compensation offered will do this.

my final decision

My final decision is that Barclays Bank Plc needs to update Mr D's calculation so that it pays simple interest at 15% a year on all the premiums Mr D paid before 1 April 1993 and 8% simple for those after that date.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 15 February 2016.

Claire Marsh
ombudsman