

complaint

Mr S's complaint is about a payment protection insurance (PPI) policy sold to him by NRAM Limited in 2005.

The loan and PPI was sold by another business which later became part of NRAM Limited. I will refer to NRAM throughout this decision.

background

In March 2005 Mr S took out a loan for £9,000 to purchase a car. At the same time he was sold a PPI policy. The PPI was funded by a single premium of £2,976.75 which was added to the loan. So in total Mr S borrowed £11,976.75. The loan was to be repaid over 72 months.

The monthly repayment was £200.46 which was made up of £150.64 for the main loan and £49.82 for that part of the loan relating to the PPI premium. So if Mr S had repaid the loan over 72 months the PPI would have cost him £49.82 per month or £3,587.04 in total.

Mr S made one direct debit payment of £200.46 in April 2005. The direct debit payment in May 2005 was returned by the bank unpaid. Mr S continued make small payments to NRAM of less than £3.00 until 2009 when the debt was written off. At the time the outstanding loan, including interest was £14,199.76. The debt was sold to a third party. Mr S continued to make small payments to the third party.

In 2019 Mr S complained to NRAM about the sale of the PPI policy. NRAM agreed to uphold the complaint. In its letter to Mr S NRAM offered to pay him £379.58. This was made up of £199.28 which represented that part of Mr S's payments that had been used to reduce the PPI loan. The remainder was made up of £180.30 compensatory interest paid net of tax.

NRAM also said it would make a payment to the third party of around £3,387.76 to remove that part of the debt relating to the PPI. This would reduce the outstanding balance with the third party from £13,624.42 to £10,236.66.

Mr S wasn't satisfied with NRAM's response and he asked us to step in. Mr S says NRAM should pay that part of the debt which relates to the PPI directly to him rather than the third party.

Our adjudicator thought that NRAM's offer was fair. Mr S disagreed with the adjudicator's findings so the complaint has been passed to me.

my 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 this case.

I realise Mr S and his representative will be disappointed but I'm not upholding this complaint, and I'll explain why.

I think it would be helpful to first explain our approach when we find that a PPI policy has been mis-sold.

When a business mis-sells a PPI policy we expect it to put the consumer in the financial position they'd be in if they hadn't taken it out (so far as is possible).

In this case NRAM has offered to pay back to Mr S everything he actually paid because of the PPI. And it has offered to add compensatory interest for the time he's been out of pocket. NRAM has also offered to make a payment to the third party that now owns the debt. This payment will reduce the outstanding debt to the level it would have been if Mr S had not been sold the PPI.

So I'm satisfied NRAM's offer would return Mr S to the position he'd be in if the PPI wasn't added to the loan. This is what I'd expect it to do. But Mr S, through his representative, has said that NRAM should do something different and pay to him directly the amount needed to remove PPI from the outstanding debt. Mr S has made a number of points which I've thought carefully about.

Mr S has pointed out that other businesses that mis-sold PPI to him have taken a different approach and paid all the compensation directly to him. But in this decision I am only looking at whether NRAM's offer is fair. It may be that another business has chosen to pay all the redress directly to Mr S but different businesses are entitled to make their own business decisions. Just because another business has chosen to go over and above what I'd consider to be fair it doesn't follow that NRAM must do likewise. It could also be that the other business chose to take that approach because of circumstances that applied to that particular complaint.

Mr S's representative has told us of the hardship Mr S is facing. In some cases when a consumer is facing hardship I'd direct the business to pay PPI compensation directly to the consumer. But I'd only tell the business to pay that part of the compensation the consumer actually paid. In this case NRAM has already agreed to do this rather than use it to further reduce the outstanding debt, and I think that is fair.

Mr S's representative has made the points that NRAM doesn't own the debt anymore. And that if the additional funds were paid to Mr S he'd be able to use those to negotiate a lower settlement with the third party that now owns the debt.

Ultimately I have to decide what is a fair outcome to this complaint. And if I were to direct NRAM to pay the amount outstanding for the PPI directly to him, he'd be receiving compensation for PPI premiums that he never actually paid. And in my view that would not be fair.

Mr S's representative has also questioned why NRAM has asked Mr S to sign in full and final settlement of the offer. I've thought about this but I think it's reasonable for NRAM to require a signature to confirm Mr S's acceptance of the offer.

I realise Mr S and his representative will be disappointed with my decision. But I'd like to reassure them I've taken into account all the points they've made. I do sympathise with the situation Mr S finds himself in, but in my view NRAM's offer is fair and puts Mr S in the position he'd be in if the PPI had not been sold to him.

my final decision

My final decision is that I don't uphold this complaint. I think NRAM Limited's offer is fair and I make no further award against it. If Mr S accepts this decision NRAM Limited should update its offer, make arrangements to remove the outstanding PPI from the debt and refund to Mr S that part of the PPI that he paid, plus interest.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 October 2019.

Steve Thomas
ombudsman