

complaint

Mr G's complaint is about the compensation The Royal Bank of Scotland Plc (RBS) has offered to settle his complaint about a mis-sold payment protection insurance (PPI) policy.

background

Mr G complained to RBS about PPI sold to him with his credit card, ending with the numbers 9017. RBS offered to settle Mr G's complaint. It made offers ranging from £266 to £3,812.93, but Mr G didn't agree any of RBS' offers were fair. Based on his own calculations he said he was owed far more.

RBS had based its calculations on estimates as it had very limited data available for the account which opened in 1996. Mr G eventually provided some statements and from these RBS was able to make a more accurate estimate of what compensation Mr G should get. It made an offer of £3,595.25 based on this statement information. Mr G didn't accept this offer.

Our adjudicator said the offer of £3,595.25 for what Mr G paid for the PPI was fair, but RBS should pay 8% simple interest on the cost from 2005 when the credit card account was closed and a debt on it transferred to a third party.

Mr G was still unhappy and RBS hasn't agreed it should pay the 8% simple interest. So this complaint has been passed to me for a decision.

my findings

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

Mr G complained to RBS about the mis-sale of the PPI in 2012. He took out his credit card in 1996. I understand Mr G is unhappy because he thinks RBS should have full records of his account from the date it started. But businesses are only legally required to keep information for six years, so it isn't surprising that RBS only had limited information about Mr G's account from almost 20 years ago.

But RBS did have records of the account from May 2001. This showed only one payment of £45.60 made for PPI in June 2001. These records also showed Mr G had since 2001 only made limited payments. After August 2002 no payments were made and after September 2002 no interest was charged to the card. At this time the balance owing by Mr G was £9,054.77.

In September 2005 RBS sold this debt of £9,054.77 to a third party. Letters sent to Mr G said the third party legally owned the debt and no more payments, if any were being made, should be paid to RBS.

RBS based its first offer on the single payment of £45.60 for PPI that was shown on the records it had. It produced an average of this amount over 12 months and then gradually reduced this figure backwards to 1996. In 2012 this was the approach it took to making reasonable estimates where no actual data was held.

In 2014 RBS had changed its approach to how it made estimates where it had no data. So RBS now took the one charge for PPI of £45.60 and used that as a fixed amount for 12 months going backwards. Then reducing it backwards to 1996 when the card opened. This gave an amount of £3,812.93 as the cost of the PPI, which it offered to Mr G to settle his complaint. The difference in the way unknown data was estimated was the reason for the difference in these offers made in 2012 and 2014.

In 2015 Mr G provided some copies of his credit card statements. These covered various dates between 1996 and 2003. The statements available showed the actual amounts Mr G paid for PPI for the month the statement covered. These were sent to RBS and so it was able to use this more accurate information to work what Mr G had paid for the PPI.

RBS has sent to us its calculations using this data. When statements were missing it used assumptions based on the balances owing on the card, shown on the statements it now had. And it worked out an estimate of what may have been charged for PPI in these months where there was no statement showing the actual amount. Working out what Mr G paid for the PPI using the actual statement information, RBS now says Mr G most likely paid £3,595.25 in total for PPI.

The first offer RBS made based on estimates and assumptions was very low. But RBS only had one actual premium showing on its records to work from. I'm not sure if Mr G was clear that the offers RBS made at first were based on the very limited data it had. Now it has more data from the statements it can make a much fairer estimate. And I think the offer it's made of £3,595.25 is fair to pay back what Mr G most likely paid for the PPI.

Mr G has said he had two cards, at first an Advanta account and then a MINT account. He has suggested RBS has only worked out what he paid on his Advanta account for PPI and not taken account of what was paid on the MINT card for PPI.

Information and statements provided by RBS from 2003/2004 show the MINT card replaced the Advanta card in 2004. The name was a brand but the account and card number stayed the same. In 2004 the account was still open but Mr G wasn't paying for PPI. This had been cancelled in 2001. As I said earlier Mr G stopped making payments to his account in 2002. So I've seen nothing to show me that Mr G made any additional payments for PPI premiums after the account became MINT in 2004.

Mr G says he has no confidence in the calculations undertaken by RBS. He also says that delays in RBS providing prompt, accurate offer has resulted in him incurring extra interest. I can see from the account information that no interest has been charged to the account since 2002 and Mr G owed a debt to RBS at that time. So I don't think he has paid any additional card interest on the PPI costs since 2002.

Mr G stopped making payments to his card account in 2002 when he was unemployed. He says RBS shouldn't have chased him for the debt and the PPI should have paid the minimum payments. I've seen nothing to show Mr G made a claim on his policy. I'm not sure if a claim would've been successful. But RBS are paying him back the full cost of the PPI because it was mis-sold. This means it puts him as far as possible in the position he would've been in if he hadn't bought the policy.

If Mr G hadn't bought the policy he wouldn't have been able to make a claim. And if he had made a successful claim anything he got would be taken off any refund of the PPI costs he is now getting back.

I can also see Mr G owed over £9,000 to RBS. The costs he paid for the PPI is around £3,500. So Mr G would still have owed a large part of his debt to RBS. So I don't think the PPI was responsible for the outstanding debt. The majority was for the cost of his spending on the card.

Mr G has told us after the debt was sold he extended his mortgage to pay off the debt now owed to the third party. Mr G has also asked me to consider directing RBS to pay his expenses in relation to this. But as I've already said, Mr G would still have had a debt which most likely would've been sold in the same way. So I don't think the PPI caused the additional costs.

But the debt transferred to the third party would have been less if it hadn't included any PPI. So Mr G would have had to borrow slightly less to repay this debt. So I think RBS should pay 8% simple interest from the date it sold the debt in 2005 to the date of final settlement of this complaint. This will ensure as far as possible Mr G isn't out of pocket for the costs of the PPI, even if he later made further borrowings to cover the cost of the PPI in the sold debt.

This was put to RBS by our adjudicator. RBS said it wouldn't agree to this as it wasn't satisfied the debt was settled. Mr G has also said he isn't happy with 8% simple interest. He wants compound interest on the full amount of the debt.

I have to decide what is fair to both parties. And I have looked carefully at what both Mr G and RBS have said.

In summary, I think the offer of £3,595.25 is fair to refund to Mr G the costs he paid for the PPI. I think he most likely did borrow to clear the debt so he should get interest paid to compensate him for being out of pocket. But he should only get this on the total amount of the PPI costs paid, from 2005 to the date RBS finally settles this complaint. This should be at the rate of 8% simple interest per year.

I also note that when Mr G first made his complaint in 2012 he mentioned he had information about what the PPI had cost him, but RBS didn't ask him what this was. And Mr G didn't send any details of what he had to RBS. So RBS made its first offer of £266.

But this amount didn't seem to take any account of interest paid on the premiums and didn't reflect what RBS knew to be the balance of the account when it defaulted in 2002. It has also taken a great deal of chasing to get responses from RBS throughout this complaint.

Taking all the factors into account I think RBS should pay an additional £250 to Mr G for the trouble and upset caused in the way it has dealt with his complaint. This is in addition to refunding to him the costs of the PPI, £3,595.25 plus 8% simple interest from 2005 until the date of final settlement.

my final decision

For the reasons I've set out above I think the compensation of £3,595.25 now offered by The Royal Bank of Scotland Plc to refund the costs of PPI Mr G paid is fair. But The Royal Bank of Scotland Plc should also pay 8% simple interest on this amount from the month after the debt was sold in 2005 to the date of final settlement.

In addition I am directing The Royal Bank of Scotland Plc to pay an additional £250 to Mr G for the trouble and upset he's been caused by the way the business dealt with this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 24 March 2016.

Christine Fraser
ombudsman