

## **complaint**

Mr O complains that Premium Credit Limited has dealt with his direct debit instructions incorrectly.

## **background**

Mr O electronically signed a credit agreement with Premium Credit in January 2019 to pay for an insurance policy. A direct debit was set up for his bank to make the monthly payment for the policy. He says that he accidentally cancelled the direct debit so the first payment in February 2019 wasn't paid. He says that he reinstated the direct debit but the policy was cancelled.

He complained to Premium Credit. It said in March 2019 that it was unable to agree that it had provided Mr O with the incorrect information regarding his direct debit and that it had acted in good faith on the instruction received from his bank. It said that it had provided him with sufficient notice of his direct debit cancellation and documentation confirming the consequences if the actions required were not followed. Mr O wasn't satisfied with its response so complained to this service.

The adjudicator recommended that this complaint should be upheld. She was satisfied that Mr O reinstated the direct debit as requested and paid the £196.24 before the due date in February 2019. So she recommended that Premium Credit should: refund or clear any payments due under the credit agreement from that due date in February 2019; ensure that only one default fee (for the late payment in February 2019) has been applied to the account balance; remove any adverse credit reference information recorded for the account (apart from that for the late payment in February 2019); and provide a letter that Mr O can present to his insurance company which confirms that the credit agreement was cancelled through no fault of his own.

Premium Credit has asked for this complaint to be considered by an ombudsman. It says, in summary, that:

- it received notification from Mr O's bank that his direct debit had been cancelled;
- it attempted to collect the February 2019 payment of £168.74;
- it then received a notification that Mr O had attempted to reset the direct debit online;
- it then received an instruction from his bank to advise that the payment attempted had been returned unpaid due to the direct debit being cancelled;
- that was the most up to date information that it had received from Mr O's bank so the direct debit was not reset;
- it wrote to Mr O twice advising him that he needed to make a payment and reset his direct debit before the due date that month;
- Mr O made the payment but didn't reset his direct debit so the agreement and policy were cancelled;
- it doesn't agree that it's made an error and acted in good faith on the information provided by Mr O's bank;
- it's not in a position to contact Mr O's insurance company to advise it that the credit agreement cancelled due to no fault of Mr O; and
- as the February 2019 payment was the first payment on Mr O's credit agreement, no missed payments have been reported by it for the agreement.

Mr O says that he's been hounded for months and months by debt collection agencies saying he owes them money and he just wants it to stop.

### **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 O says that he accidentally cancelled his direct debit which caused a payment to be missed but that he then reinstated the direct debit when he became aware that he'd cancelled it. He's provided evidence from his bank to show that the direct debit was set up when he entered into the credit agreement, that it was cancelled at the end of that month, was then reinstated seven days later and was still active on the account in March 2019.

Premium Credit says that it received notification that Mr O has reset his direct debit – but that it then received notification that the payment had been returned unpaid because the direct debit had been cancelled so it didn't reset his direct debit.

I can understand why it didn't reinstate his direct debit given the sequence of events - but Mr O had reinstated his direct debit and that was notified to Premium Credit. It didn't act on that notification because of other information that it had received. But I consider that it should have reinstated his direct debit at that time.

It then wrote two letters to Mr O in which it said that he needed to make a payment and set up a new direct debit by the due date. He made the payment and he'd reinstated his direct debit so I don't consider that there was any reason for him to expect that the direct debit wouldn't be collected.

Other than accidentally cancelling his direct debit, I'm not persuaded that Mr O has acted incorrectly. Whilst it may not have intended to do so, I consider that Premium Credit did act incorrectly when it didn't reset Mr O's direct debit. That has caused him distress and inconvenience.

Mr O's insurance policy was cancelled by the insurance company. The adjudicator explained to him that she was only able to consider the actions of Premium Credit so she wouldn't be commenting on the cancellation of the policy.

Mr O made one payment of £196.24 to Premium Credit and his agreement was then cancelled and his account was closed. It says that no missed payments were reported on his credit file and that no other fees or charges were applied to his account. Mr O says that he's been hounded by debt collection agencies and he just wants that to stop.

I don't consider that it would now be appropriate for me to require Premium Credit to write a letter to Mr O's insurance company but I find that it would be fair and reasonable for it to ensure that no adverse information about the credit agreement is recorded on his credit file and that no further debt collection activity about the account is undertaken.

### **my final decision**

For these reasons, my decision is that I uphold Mr O's complaint and I order Premium Credit Limited to ensure that no adverse information about the credit agreement is recorded on his credit file and that no further debt collection activity about the account is undertaken.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 27 May 2020.

Jarrold Hastings  
**ombudsman**