

## **complaint**

Miss B and Mr M complain that The Co-operative Bank p.l.c. cancelled their direct debits in error which resulted in loss.

## **background**

Miss B and Mr M had a joint account with the bank. Due to an error it cancelled all direct debit payments from their joint account. This resulted in cancellation of their car insurance. The police charged Mr M with driving without insurance. They impounded his car and later sold it. Miss B and Mr M want the bank to compensate them for the loss of the car and distress and inconvenience.

The bank said:-

- due to its error it blocked all direct debits on the joint account on 8 August 2014.
- a car insurance direct debit due on 26 August 2014 wasn't paid.
- in early September 2014 the bank said it'd reinstated the direct debits.
- on 8 December 2014 the bank drafted a letter for the police to confirm its error but was unsure whether the letter reached Mr M.
- it paid £200 into the joint account for inconvenience.
- it wasn't responsible for any loss due to the cancellation of the car insurance policy. Mr M must've been notified by the insurance company or should've noticed payments weren't being taken. He must've known the car insurance was cancelled well before he was stopped by the police on 6 December 2014. Even if he hadn't realised, he could've paid to get the car released as he and Miss B had enough money in their account at the time in question.

Miss B and Mr M said:-

- the bank said it'd reinstated all direct debits so they didn't think there was any need to check these.
- they never received any letter from the car insurance company about the policy cancellation. If they had they would've reinstated the direct debit.
- It was a weekend when Mr M was stopped by the police, so he couldn't prove the cancelled insurance was a mistake. The car was impounded with a release fee of £150 plus a further fee for each day it was impounded.
- on 8 December 2014 Mr M asked the bank for a letter confirming its error in cancelling the direct debit for the car insurance. Mr M also wanted to make a complaint.
- in March 2015 Mr M contacted the garage that took the car to tell them not to sell or crush it. He was told the car was in the process of being sold.

- on 2 July 2015 the police told Mr M they wouldn't take any further action against him for driving without insurance. This was because the insurer said it would've indemnified Mr M as the policy was cancelled due to bank error.

The adjudicator upheld the complaint in part. He said that the bank accepted it'd cancelled the direct debits in error, and Mr M and Miss B had suffered distress because of what happened later. He felt the bank's offer of £200 was too low. He suggested a payment of £300, which the bank agreed to. But he didn't think the bank could be held liable for the cancellation of the car insurance and later the loss of the car.

Miss B and Mr M didn't agree. They said they never received the letter from the car insurance company telling them the policy would be cancelled. They also said the bank told them all the direct debits had been set up. They were left with no car and had suffered a lot of stress.

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. While I'm sorry to disappoint Miss B and Mr M, I agree with the adjudicator for much the same reasons.

The bank has admitted it made an error so I need to consider whether it's liable for all that followed and whether the amount it has offered in compensation is fair and reasonable. I think the bank's error started a chain of events with very unfortunate consequences for Miss B and Mr M. But Miss B and Mr M also have a part to play in avoiding any loss.

- cancellation of the car insurance

Miss B and Mr M had more than 10 direct debits in place in August 2014. A direct debit is only paid out when the bank is asked to pay by the third party – for example, the insurance company. The amount can vary in amount and frequency. So the bank won't know how much or when to expect a request for payment.

After it had cancelled the direct debits by mistake, the bank told Miss B and Mr M that the direct debits were put back as before. But the insurance company never made another claim after August 2014.

The bank didn't say anything about the payments that were missed in August or warn Miss B and Mr M that things might've been cancelled. I think it could have done more to make sure they understood what'd happened.

I also think the bank could've suggested Miss B and Mr M check all their direct debits. The error was the bank's fault and led to the cancellation of the car insurance policy. I don't think it did enough to help put things right and I think this was poor customer service.

But I think Miss B and Mr M might reasonably have noticed they'd missed payments on their direct debits. I would've expected some of the companies affected to have contacted Miss B and Mr M to ask for the missing payment or to say they'd collect double the next month.

The car insurance company has provided copies of relevant papers. Its files show it wrote to Mr M on 31 August 2014 warning the policy would be cancelled if payment wasn't made. It then issued a letter on 16 September 2014 confirming the policy was cancelled. Its records

also say it had written to Mr M in June 2014 saying that with effect from July 2014 the monthly payment would increase.

It's not clear why Miss B and Mr M didn't get the letters. Even if they didn't, I think they might have noticed the missing payment. The insurance company had written only two months before to tell them about an increase in the premium and this was their second largest direct debit payment. At that time there wasn't much spare money in the joint account.

I think the bank made a mistake which led to the cancellation of the policy. But I don't think it was its fault the policy wasn't restarted quickly.

- sale of the car

As I've said I don't think it's the bank's fault the insurance policy remained cancelled until December 2014. So I don't think the bank can be liable for any loss or distress when Mr M was stopped by the police and the car impounded.

In any case, it was for Miss B and Mr M to take steps to avoid their losses. They chose not to pay to get the car back so it wouldn't have been sold.

- compensation

The bank's error meant that Miss B and Mr M were inconvenienced in dealing with the bank about the cancelled direct debits. In addition the bank wasn't sure the letter it wrote in December about the error was sent out. This can't have helped the police make a decision about the case. This must've been worrying for Miss B and Mr M. So overall I think the offer of £300 for distress and inconvenience is fair and reasonable in all the circumstances.

### **my final decision**

I uphold this complaint in part and direct the Co-operative bank p.l.c. to pay a total (including any amount already paid) of £300 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B and Mr M to accept or reject my decision before 13 November 2015.

Colette Bewley  
**ombudsman**