

complaint

Mr S complains that Premium Credit Limited declined his application for credit at short notice and that it provided him with poor customer service. He'd like compensation for what happened.

background

I set out the background to this case and my provisional findings in a provisional decision issued on 11 December 2018. A copy of that decision is attached to this.

In that provisional decision I explained why I thought this complaint should be upheld and why I thought Premium Credit should pay Mr S £150 for the inconvenience he'd had as a result of the way it had dealt with his application for credit.

Mr S has responded to my decision to say he doesn't feel £150 reflects the inconvenience he's had. He'd also like compensation for the calls he made to Premium Credit during this time, as shown on the phone bill he's sent in. He'd like Premium Credit to provide copies of the call recordings and, in particular, the call with a manager who, he says, assured him his policy had been set up and approved.

Premium Credit has accepted the recommendation in my provisional 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.

I've seen Mr S would like Premium Credit to locate all the calls made to and by it during this time but Premium Credit has already been asked to search its records and, as I set out in my provisional decision, it hasn't been able to locate the calls referred to by Mr S. But even if it could, I don't consider it would change the outcome as I'll now explain.

Mr S was hoping Premium Credit would continue with his credit arrangement to fund his insurance policy. But Premium Credit's explained there'd been a number of problems with Mr S's account in the previous twelve months which meant he didn't meet their lending requirements. I can understand why Mr S was disappointed but that's a commercial decision I can't interfere with.

So in this case, it's not the decision not to lend that's the issue but the way in which Mr S's application was dealt with. I explained in my provisional decision why I felt this could have been handled better. In particular I felt the information given out to Mr S that meant he wasn't sure for several days whether his policy was in place or not. And it's because it wasn't handled well that I came to the view Premium Credit should compensate Mr S for the inconvenience this had caused.

I can see Mr S feels the compensation isn't adequate for what happened. However some of the problems he's described relate to the decision not to lend but as that's a decision Premium Credit was entitled to make, I can't reasonably ask them to compensate Mr S for this.

In respect of the way the application was handled, it's clear the information given to Mr S wasn't as clear as it could have been but this was resolved within a short space of time. I note what Mr S says but I consider £150 is fair and reflects both the inconvenience caused to Mr S and his time and trouble in contacting Premium Credit at this time. For that reason I won't be asking Premium Credit to pay anything more.

my final decision

My final decision is that I uphold Mr S's complaint and direct Premium Credit Limited to pay Mr S £150 for his trouble and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 February 2019.

Cerys Jones
ombudsman

COPY OF THE PROVISIONAL DECISION

Complaint

Mr S complains that Premium Credit Limited declined his application for credit at short notice and that it provided him with poor customer service.

background

Mr S had a home insurance policy funded through a credit agreement with Premium Credit. He says on 16 June 2018 he received a renewal letter dated 13 June from the insurance provider and he understood from this that the policy would continue to be funded by his agreement with Premium Credit.

He says when he logged into his Premium Credit account on 11 July he saw a letter dated 10 July 2018 confirming this. But the following day he received a further letter from Premium Credit saying it wouldn't be providing finance for his agreement and his application had been declined.

Mr S says he logged in again on 13 July to find another letter saying a new credit agreement was available with a copy for him to sign, which he did. He says this was also confirmed in a call with Premium Credit around this time, and in a letter from the insurer, dated 17 July. But on 19 July he was told by Premium Credit that this application had also been declined and his credit agreement had been cancelled.

Mr S says he feels Premium Credit could have let him know sooner that it was declining his applications. He believes it would have been aware of the new application on 13 June, at the same time the renewal letter was sent to him. If it had told him then, he could have made other arrangements but that hadn't been possible. He feels this was poor service.

Premium Credit said it didn't receive notification from Mr S's insurer of his first application until 10 July. At that point the agreement was set up on the basis of the information received. But it says it then reviewed Mr S's account that showed that more than half of his repayments the previous year had been late. On that basis it felt it would be irresponsible to provide further credit and so his application was declined. It says it let him know on 11 July, the day after it heard from his insurer.

With regard to the second application, Premium Credit said this had been put through by the insurer by mistake. It hadn't noticed at first this was a duplicate application, and had approved it. But when it was reviewed, it was declined for the same reasons as the first. As it had been declined, and not cancelled, it didn't agree it needed to give Mr S two month's notice. It said it set up the agreement on the basis of the information provided by the insurer and felt it was for the insurer to explain to Mr S that any application was subject to appropriate credit checks.

It had searched its records for the calls referred to by Mr S but hadn't been able to find any around that time so it couldn't say whether a call had been made or, if so, what was said in it. Overall, it didn't agree it had done anything wrong or that it now needed to do anything more.

Our investigator didn't uphold the complaint. She said Premium Credit like all lenders, was entitled to look at an applicant's previous payment history to decide whether or not to offer credit. This was a commercial decision. But she'd seen Mr S had had problems with eight of his payments in the previous year so she didn't think its decision to decline his applications was unreasonable. And as they'd been declined, not cancelled, she didn't agree Premium Credit needed give Mr S two month's notice.

She'd taken into account there'd been two applications but felt the second one had been wrongly set up by the insurer, not Premium Credit, so it wasn't responsible for this or any confusion caused by this.

She understood why Mr S felt we needed to listen to the calls he'd had with Premium Credit at this time. But Premium Credit had searched its records and hadn't been able to locate any calls, in or out. And it hadn't found any notes on Mr S's file to show there'd been a call or what was discussed. Without some more information to show what had been said, she couldn't say whether he'd been misinformed.

Mr S disagreed and said in summary:

- Premium Credit had issued him with a whole new agreement that he'd signed and understood to be in place. It had done this twice, then cancelled which he felt was unacceptable. He said he'd had very little time to make other arrangements and he'd been left potentially uninsured. He wanted to be compensated for this.
- As he'd been told the agreement had been set up, and not just applied for, he believed Premium Credit was required to give him two month's notice of its cancellation.

my provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where there's no information on any particular point, or the information available is disputed, then I've made my decision on the balance of probabilities, in other words what's more likely than not to have happened.

Premium Credit, like all lenders, is required to make sure that any credit provided is affordable. In making that decision it can take into account the applicant's previous payment record and use that as a guide on any further credit. In this case, the records show Mr S had had problems with more than half of the repayments on his credit agreement in the previous year so I don't think Premium Credit's decision not to continue with the agreement for another year was unfair.

Having said that, Premium Credit was still required to provide clear and accurate information to Mr S about his application and in this case I'm not satisfied it did.

first application

The insurer contacted Premium Credit on 10 July to ask it to set up a new agreement to fund Mr S's insurance for the next twelve months. At this point Premium Credit appeared to accept the application as shown by the letter on his online account that read:

Your previous Credit Agreement was cancelled so we've set up a new Credit Agreement to pay the balance due under your previous Credit Agreement. Your new Credit Agreement may contain different terms and conditions so please take a moment to read these carefully.

But two days after this and after Premium Credit had carried out a more detailed review of Mr S's account, it wrote to Mr S to say his application had been declined.

second application

Shortly after the first application was refused, the insurer submitted another application for credit for Mr S's insurance. It's not clear why it did this and it seems it was a mistake but Premium Credit

didn't say so straight away. Instead, it created an online agreement that Mr S was able to log in to and sign. It followed this on 17 July as follows::

We confirm that-

*- your credit agreement has been completed;
- the executed credit agreement (that is, the credit agreement you signed) is identical in terms to the unexecuted copy of the credit agreement we have previously given to you;"*

you have a right to receive a copy of the executed credit agreement. If you signed your credit agreement using My Premium Credit you can obtain a copy of the executed credit agreement at any time by logging into your account in My Premium Credit. If you signed a paper credit agreement, you can send your request in writing to us

I've seen that Premium Credit says all applications are subject to its credit checks. But looking at the information given to Mr S I can't see that it explained this to him. I think it's fair to take from the information given to Mr S that it set up the agreement on two occasions – and confirmed this to him – only to reject them once it had carried out a more detailed review.

It's not for me to tell Premium Credit how to manage its processes, but by telling Mr S his agreement was in place, without any warning that this might change, it created an expectation that wasn't met. And it did this twice. In the circumstances, I consider this was poor service.

And while Premium Credit says the insurer was wrong to re-submit the application, it's clear it didn't pick this up at the time even though it had already declined one application for Mr S only days before. It seems to me this was a mistake that created further confusion for Mr S.

I've seen Mr S says he was assured by a manager that his agreement had been approved, but I haven't seen anything to show that was the case. Premium Credit has searched its records but hasn't been able to locate the calls, and without this evidence I can't comment on what might have been said.

I've also seen Mr S believes Premium Credit must have been contacted in June, when he was sent his renewal letter. He says how otherwise could his insurer have known the amount of his premium, including the credit element. But the information provided by Premium Credit shows it only received instructions to set up a new agreement on 10 July so I'm satisfied that's when it was first notified.

I can't ask Premium Credit to reinstate the agreement. That's a commercial decision based on its assessment of Mr S's ability to repay. But, for the reasons given I consider it gave Mr S misleading information about his agreement and its process for assessing his applications. In the circumstances, I think it'd be fair and reasonable for Premium Credit to compensate Mr S for this and the trouble and inconvenience it caused.

I've seen Mr S has asked for £500 compensation. But while I can see he feels he was misled, it's clear any confusion was resolved within a short time. For that reason, I propose to direct Premium Credit to pay Mr S £150. Which I think is fair and proportionate.

my provisional decision

My provisional decision is that to resolve matters Premium Credit Limited should pay Mr S £150 for this trouble and inconvenience.

Cerys Jones
ombudsman