

## **complaint**

Mr R complains that Premium Credit Limited (PCL) sent threatening correspondence to him in error. He wants PCL to acknowledge its error, to apologise, and to pay him compensation for the stress and inconvenience it caused.

## **background**

Mr R had a credit agreement with PCL for annual insurance policy premiums. This arrangement was renewed for a second and third year, and the insurer sent him a further renewal invitation three weeks before the third policy expired. Mr R decided during the following week not to renew again, and cancelled his direct debit instruction with his bank for the credit agreement. But he did not tell his insurer about his decision until four days later.

On the date Mr R cancelled his direct debit, his third year monthly payments had been made in full. But PCL sent him a letter two days later, saying that it could not collect his monthly payments, and requiring him to take action. The letter included a default notice, saying that he had breached his credit agreement, and that he might have to pay an outstanding balance in full.

Mr R complained to both his insurer and PCL. The insurer said it had notified PCL of the proposed renewal of the arrangement three days after it had sent Mr R the renewal invitation. The insurer also confirmed that Mr R's policy had lapsed at the end of its term, and was not cancelled mid-term, and that his credit rating had not been affected in any way. Following our involvement, the insurer made a settlement offer to Mr R, which he accepted.

PCL responded to Mr R, saying:

- Having received notification from the insurer, it emailed Mr R inviting him to read a renewal letter in his online account
- This letter was dated three days before Mr R cancelled his direct debit, and set out the terms under which his agreement would be renewed (the first monthly payment would be due 16 days later)
- Five days after the letter's date, it received notification that Mr R's direct debit had been cancelled
- Its letter to Mr R about collecting his monthly payments and default notice were automatically sent to him on the same day, as it was unaware that he had decided not to renew
- It was told a further five days later about Mr R's decision, which it then acted on – and no further action by Mr R was required
- It apologised for the distress caused by its letter and default notice, but it was unable to agree that Mr R should receive compensation

Our adjudicator did not think the complaint should be upheld. He understood Mr R believed that PCL had acted in error, when it sent the letter and default notice. But our adjudicator felt that the correspondence was sent because PCL believed, based on information received from Mr R's insurer, that Mr R was renewing his arrangement.

Our adjudicator acknowledged that Mr R considered parts of this correspondence to be unfair and threatening. But our adjudicator felt that there was a danger of these parts being read out of context, and that – reading the correspondence in full – PCL had not said anything inappropriate.

Our adjudicator added Mr R's insurer had accepted responsibility for telling PCL that he was renewing his arrangement. Our adjudicator noted that the insurer had compensated Mr R for the trouble and upset caused, and could not agree that PCL should also compensate Mr R.

Mr R disagreed with our adjudicator. He said the correspondence was confusing and misleading, and PCL could have sent an alternative letter that was helpful and purely for information – but it chose not to do so. He asked for his complaint to be reviewed by an ombudsman.

### **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 find that I have come to the same conclusion as our adjudicator, for similar reasons.

Mr R was required by his credit agreement to have a direct debit instruction in place. With the benefit of hindsight, it would probably have been better if he had given notice of his intention not to renew his arrangement, before he cancelled this instruction. But it is also probable that he had received no advice on what to do in these circumstances, and he acted in good faith.

Similarly, PCL acted in good faith and believed that Mr R was going to renew. This led to the correspondence in question being mistakenly sent to him.

But Mr R has already been compensated by his insurer. And, while I would agree that both the clarity and tone of this correspondence were in need of improvement, I share our adjudicator's view that further compensation from PCL would not be appropriate.

### **my final decision**

For the reasons explained above, my final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 February 2016.

Roy Mawford  
**ombudsman**