

complaint

Mrs O complained she was mis-sold a payment protection insurance policy (PPI) with her loan with The Royal Bank of Scotland Plc (RBS).

background

RBS agreed that Mrs O had been mis-sold PPI and made her an offer of £8,130.82 which was paid on 31 May 2013.

RBS said that Mrs O had outstanding arrears with them of £4,244.22 and so it applied the PPI compensation against the arrears and paid Mrs O the remainder of the offer. RBS also said it would pay an amount of £50.00 for trouble and upset for the way it handled her complaint.

Mrs O complained that the amount of the arrears RBS said remained on her loan was wrong and that a smaller amount was outstanding. This is because the amount of the debt was with recovery agents and they stated the amount was less.

Mrs O isn't complaining about the amount of the offer or that RBS used the compensation to offset against the arrears. She is complaining about the amount of the arrears. Mrs O also wants more money for trouble and upset.

Our adjudicator didn't agree that the case should be upheld. Mrs O disagreed with the view and the matter has been passed to me to make a final 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 am not going to look at how the PPI was sold, but whether the offer was fair. I think it was fair and I would like to explain why below.

We expect RBS to put Mrs O in the position she would have been in if she had taken the loan without the PPI. So we would expect it to calculate the amount she paid for the PPI (including interest on her loan) and add simple interest of 8% to this to compensate Mrs O for the time she was out of pocket.

RBS agreed that the PPI policy was mis-sold and in May 2013 made a total offer of £8,130.82. It worked out Mrs O had paid £4,772.19 for the PPI and associated interest and added further compensation of 8% for the time Mrs O was out of pocket because of the PPI of £3,358.63. This totalled £8,130.82 and £3,886.30 was sent to Mrs O. Because Mrs O had outstanding arrears it paid £4,244.52 against these arrears.

Mrs O isn't complaining about the amount of the offer and so I won't comment further other than to say it is in line with our approach.

Mrs O complained that she had entered into a debt management plan and her debt was being managed by a debt management company. The RBS debt was being managed by debt recovery agents of RBS although RBS still owned the debt. Mrs O said the debt management company had been providing updates to her before the PPI offer was made

that the outstanding debt to RBS was less than £1,000. Mrs O says that when she received the offer letters from RBS she telephoned the debt management company for a settlement figure and was told this was £868.00 on 22 May 2013. In October 2013 the debt recovery company had told her the debt was £803.55 and they sent her an account statement to confirm this.

Mrs O feels £803.55 is the amount of arrears that should have been paid off and the balance should be paid to her. She said that she had no dealings with RBS and the debt recovery company had sent her progress reports and statements which confirmed the remaining balance. She has also sent evidence of this to this service which confirms what she says. Mrs O points out that she had no contact or information from RBS until January 2015 when they sent her statements. Mrs O said that she paid management fees to the debt recovery agents to manage this and that she should not be penalised for the mistake they and RBS had made. Mrs O wants more trouble and upset awarded to her to compensate for this.

I have carefully thought about whether Mrs O should be paid any more compensation for this error.

I can see that around the time Mrs O was calling for confirmation of settlement figures on the RBS debt, she had received the offer letter from RBS. This letter confirmed the arrears were £4,244.52 and that a portion of the offer would be applied against these arrears. RBS also reconfirmed this in July 2013. Her debt management agents also wrote to her in September 2013 and confirmed they thought they had been given an incorrect balance in May 2013 and the actual balance was what RBS had stated. This information was all received by Mrs O before the account statement she was sent in October 2013. So Mrs O would have been aware that RBS thought the arrears were for a much higher figure and that a mistake was likely to have been made.

I agree that Information provided by RBS shows that the amount of the outstanding arrears was £4,244.52. They have provided loan statements and internal documents off their systems to clarify this amount. Based on this information I am satisfied this is correct.

I note Mrs O's other comments and understand the frustration in getting wrong information. But I also note RBS had never changed its position and communicated what the arrears were at the same time or just before Mrs O was asking for a settlement figure. So Mrs O should have been aware from the beginning that RBS believed the amount to have been higher and a mistake much have been made.

Also, because Mrs O was in a debt management arrangement it is possible to work out how much was paid against the debt over a certain period of time. Her managing agents confirmed to her that their records set out what she had paid against the debt and that this showed the remainder of the balanced matched what RBS had set out. Looking at this as a whole, I am satisfied that Mrs O knew from the outset what RBS believed the arrears to be as they set it out in the offer letters at the same time she had the settlement figures. This was then confirmed to her in writing numerous times. Her managing agents and RBS had the same position and RBS provided a lot of supporting evidence, I do not think it is fair to decide that the outstanding arrears were £803.55 as this was clearly a mistake.

My role is not to punish the business, instead I need to look at both sides of the dispute and reach a decision based on what I believe is fair and reasonable. I note that RBS has offered to pay Mrs O £50.00 because of the time she spent trying to work things out. But I also

agree that RBS took a great deal of time putting together statements to send to Mrs O which perhaps could have clarified the matter sooner. So because of this I think RBS should increase the amount of trouble and upset by £100.

my final decision

For the reason I have set out above I am not upholding this case against The Royal Bank of Scotland plc but I direct it to increase the amount paid for trouble and upset to £150 in total and pay this to Mrs O.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 24 September 2015.

Miranda Bates
ombudsman