

complaint

Mr L complains about default charges and interest added to his credit card account by MBNA Limited. This led to Mr L's account being defaulted and the debt sold to a third party. Mr L is also unhappy that a payment he received into his account was then transferred to this third party.

background

Our adjudicator did not recommend that the complaint be upheld. She was satisfied that the charges and interest had been applied to Mr L's account correctly, in line with the terms and conditions. She also said the bank was entitled to sell Mr L's account to a third party after a default had been registered, and that it was entitled to use the payment Mr L received to his account for an unemployment claim to reduce the outstanding balance on his account. This meant it was also entitled to pass that payment to the third party to whom it had sold the debt.

Mr L did not agree. He responded to say, in summary:

- he should not have been charged interest and default charges when he had a valid insurance policy in place to cover his unemployment;
- he did not agree with the bank's calculation of how much was owed on his account at the time he became unemployed because it should not have included charges and interest;
- his contractual obligations were with the bank and not a third party; and
- the bank had no right to remove the payment he received for his unemployment claim and transfer it to the third party.

Mr L also said he had not received the policy documents for his Payment Protection Cover and that the bank was in breach of the Consumer Credit Act 1974 because it had not supplied him with a signed copy of his credit agreement and Payment Protection Cover.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I am satisfied that the bank correctly applied charges and interest to Mr L's account. The fact that he had a Payment Protection Cover policy in place does not mean the bank should have suspended interest or charges pending the outcome of Mr L's claim. Because the account was in arrears, the bank subsequently registered a default and then sold the debt to a third party. It was entitled to do both of these things, and the debt is now owed to that third party.

Mr L made a claim under his Payment Protection Cover and subsequently received a payment directly to his credit card account. Because the account had already been sold to a third party, the bank transferred the payment to that third party, to reduce the outstanding balance. I am satisfied it was entitled to do this and that it was reasonable for it to do so - because the payment was intended to assist him with making payments to his card account in the event that a change in circumstances made it difficult for him to do so. As things stand, the payment has been used to reduce the debt he owed to the bank (and which is now owed to a third party). So it would not be fair and reasonable for me to require the bank to refund that payment to Mr L so that he could now use it for a different purpose.

Although Mr L says he does not accept he has an obligation to repay the debt to the third party, I note he has continued to make repayment proposals to the bank. I hope he will now consider making those repayment proposals to the third party to whom the debt is now owed.

I have noted Mr L's comments about the bank's obligations under the Consumer Credit Act 1974. But if he wishes to make a complaint about the bank's failure to supply him with the correct documents, he will need to do this in a separate complaint to the bank, giving it an opportunity to respond before bringing the complaint to this service.

my final decision

For the reasons I have explained, my final decision is that I do not uphold this complaint.

Michelle Peters
ombudsman