

complaint

Mr S complains the compensation he's been given by Barclays Bank Plc for a mis-sold card protection policy isn't enough to compensate him.

background

Mr S complained Barclays mis-sold him a card protection policy. Barclays says it offered a refund of the premiums paid together with interest of 8% simple per year. Mr S says he didn't receive this offer. But when it was put to him by the adjudicator he said it wasn't enough to compensate him. In particular, he says he should be given the rate of interest he was paying on his credit card on a compound basis. As well as compensation for the time he spent dealing with the complaint.

The adjudicator recommended Barclays reconstruct Mr S's account to put him back in the position he would've been in without the card protection policy. Barclays responded saying it wouldn't offer that. But it did offer to pay Mr S interest on the premiums at the contractual rate of interest (on a simple rather than a compound basis) up to September 2012 and then 8% simple a year after that. The adjudicator considered this offer and was satisfied it was fair and reasonable in the circumstances. Mr S didn't agree so the complaint's been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm satisfied the offer Barclays has made is fair and reasonable in the circumstances. Because I'm satisfied I wouldn't award more than what Barclays has already offered, I haven't considered the merits of Mr S's mis-sale complaint in this decision.

In cases where a card protection policy has been mis-sold, I'm usually satisfied that a refund of the premiums paid – together with interest – puts the consumer back into the position they would've been in if they hadn't had the policy.

the premiums paid

I've been provided with statements showing the following premiums being taken:

2005 - £16	2009 - £35
2006 - £20	2010 - £35
2007 - £20	2011 - £39.95
2008 - £29	

Unfortunately earlier statements aren't available. But the records show the policy having been taken out in January 2003. And Mr S has provided a letter he was sent at that time which shows the annual premium as being £16. Taking everything into account, I'm satisfied it's most likely two premiums were paid before 2005 – one in 2003 and one in 2004 – both of which were £16.

Barclays' offer includes all the premiums I've set out above. Mr S says he thinks he paid a premium in 2012 as well. But Barclays says it wasn't able to take this and I can't see a

premium being taken on Mr S's 2012 statements. I'm therefore satisfied it's most likely Barclays has calculated the premiums correctly.

the interest Barclays should pay

Barclays has offered to pay Mr S interest at the contractual rate he was paying on his credit card up to September 2012 when it stopped charging him interest. From that point on, it's offered interest of 8% simple per year.

I've contacted Barclays to clarify a few points about the offer. It's confirmed the contractual rate it's offered is the rate that was in place for the credit card over time. And where this is unknown, it says it's used the earliest rate it does know. It therefore isn't one rate that's been applied. It also says the compensation has been done on the basis of a simple interest calculation.

I've thought carefully about Mr S's reasons why this doesn't produce a fair amount. And I've considered the calculations he's provided. I also appreciate why Mr S doesn't think it's relevant that he paid off his credit card on a number of occasions.

There are some cases where we ask businesses to reconstruct credit card accounts as if the consumer had never had the mis-sold policy. But one of the aims of this service is to provide a quick and informal resolution. And when awarding compensation for the mis-sale of this type of policy, the nature of the premiums paid means we're usually satisfied that interest of 8% simple per year achieves this. This is because it's an attempt to fairly balance out the spells the consumer will have been paying more and less interest than this. So we generally only require a reconstruction where we're satisfied 8% doesn't compensate the consumer and a reconstruction is the only thing that'll do that.

And even where we do require a reconstruction, this doesn't give the consumer the interest rate they actually paid plus 8%. It gives them one or the other depending on their account balance at the time.

In Mr S's case, he often did pay interest on the policy premiums at the rate of interest his credit card charged – which was higher than 8% a year. But there were also times when he paid off the outstanding amount on his credit card and so wasn't paying any interest on the premiums.

In these circumstances I'm not going to require Barclays to reconstruct Mr S's credit card. Or to pay him interest on a compound basis. I'm also not going to require it to use the exact date the interest rate changed when doing the calculation. I'm satisfied the offer it's made provides a quick and easy solution that's fair and reasonable in the circumstances.

the time spent complaining

Mr S feels he should be compensated for the time he's spent complaining. But pursuing a complaint is naturally stressful and inconvenient and we wouldn't normally recommend compensation for this. Taking everything into account, I'm not persuaded Mr S has suffered distress and inconvenience sufficient to warrant an additional award.

my final decision

My final decision is that the compensation Barclays Bank Plc has offered to pay Mr S is fair and reasonable in the circumstances.

I therefore require Barclays Bank Plc to pay Mr S:

- the premiums he paid for his card protection policy as set out in this decision;
- interest on the premiums at the simple contractual rate he was paying on his credit card – from the date the premiums were paid to September 2012;
- interest on the premiums at a rate of 8% simple per year* from September 2012 to the date compensation is paid.

*I understand Barclays Bank Plc is required to deduct basic rate tax from this part of the compensation. It should therefore send a tax deduction certificate with the payment. Whether Mr S needs to take any further action will depend on his financial circumstances. More information about the tax position can be found on our website. Mr S should refer back to Barclays Bank Plc if he is unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 December 2015.

Laura Layfield
ombudsman