

complaint

Mr A complained about PPI taken out in 1994 at the same time as his credit card. HFC Bank Limited (HFC) has offered a goodwill payment to compensate Mr A for the cost of the PPI. Mr A has not accepted this offer and brought his complaint to this service.

background

In 1994 Mr A took out a credit card with HFC and at the same time bought a PPI policy. The PPI was cancelled in 1996, but the credit card account remained open. Mr A continued to use the card until 2009.

In 2011 Mr A complained to HFC about the sale of the PPI on his account. HFC offered a goodwill payment to refund the cost of the PPI. It said it had calculated this based on the premiums they had a record of and interest at the card rate.

Mr A refused the offer made by HFC. After the complaint was brought to this service, HFC reviewed again the data available and undertook further calculations and made a further offer.

An adjudicator from this service felt the offer made by HFC was fair and reasonable. Mr A was still not happy and asked an ombudsman to look at his complaint.

my findings

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

HFC has offered to refund to Mr A the full cost of the PPI. So in this decision I am not looking at how the PPI was sold to Mr A. I am only considering if the offer to compensate Mr A for the amount the PPI cost him is fair and reasonable.

There is no dispute between the parties that PPI was charged to the credit card from December 1994 to April 1996.

HFC calculations have taken into account interest paid on the amount charged for the cost of the premiums. HFC has provided copies of the records showing the monthly purchases and all charges made to the credit card.

These records show the actual monthly charge made from December 1994 to April 1996 for the PPI premiums. During this period I can see no penalty charges that were incurred as a direct result of the PPI. HFC calculations have taken account of all interest the PPI caused through to the date interest was stopped being charged on the card in 2010. There is also a small amount of interest at 8% simple identified for a brief time the credit card, on reconstruction, would have gone into credit.

Mr A has provided his own reconstruction of the account. He has identified the amount he feels was paid for the PPI and the interest charged on this. His calculations have used a different rate as the cost of the PPI premiums. But as the actual premium charged is shown on the records HFC has provided I am satisfied that HFCs calculations are accurate as to the actual premiums charged.

Mr A continued to use his card after the PPI was cancelled in 1996. He had the use of the credit and had to pay interest on the amounts he spent. Only a small proportion of the debt on the account related to the PPI. I am not satisfied Mr A's calculations reflect accurately the amount of the PPI cost and the interest charged on the premiums.

Having considered the amount offered as a goodwill payment by HFC, this seems to me fair when taking account of the amount paid by Mr A for the PPI and all interest associated with that cost.

I have looked carefully at the statement data and I am not satisfied that the cost of the PPI and any associated interest resulted in any penalty or administrative account charges being made on the account because of the PPI. From the information provided it seems to me that the first penalty charge made was for a late payment and after the PPI was cancelled. I am not satisfied on the evidence I have seen that the PPI cost was directly responsible for any penalty or administrative charges incurred.

Mr A went into debt on his credit card and HFC has said it will use the compensation due to Mr A to set against the debt owed for this credit card. I am satisfied this is reasonable as the PPI is directly related to the credit card on which the debt exists.

HFC made a further recalculation and final goodwill offer in July 2014. I am satisfied this offer was fair and reasonable in the circumstances of this complaint. The compensation offered as part of this offer would be set against the debt Mr A had from the credit card.

There have been issues raised by Mr A about proceedings taken by HFC regarding the credit card debt. I am not satisfied that the proceedings were caused because of the PPI sale. Mr A spent money on his credit card for many years after the PPI was cancelled which added to his debt. If Mr A has any issues about the court proceedings and court findings those would need to be raised with the court.

I have noted that in its offer in July 2014 HFC has said it would consider refunding any costs associated with the debt enforcement which were higher as a result of the PPI premium element of the total debt. Also that it would consider applying to amend the charging order to reduce this so it no longer included any part of the debt which was attributable to the PPI.

Taking all the factors into account I am satisfied that the offer of HFC made in July 2014 is fair and reasonable. This would put Mr A in the position he would have been in had he not bought the PPI with his credit card.

my final decision

For the reasons set out I do not uphold Mr A's complaint about the offer made by HFC Bank Limited as updated in July 2014.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr A to accept or reject my decision before 30 December 2014.

Christine Fraser
ombudsman