

complaint

Ms R complained about the amount of compensation MBNA Limited (MBNA) offered to settle her complaint about a mis-sold payment protection insurance (PPI) policy which was associated with her store card.

background

Ms R complained she had been mis-sold a PPI policy with her store card opened in June 2000. MBNA offered to settle her complaint and offered some compensation.

But Ms R didn't think the amount offered was fair and brought her complaint to this service.

I issued a provisional decision in October 2018. This indicated that there was no dispute about the amount MBNA had offered for the costs of the PPI, which came to £426.58. But as Ms R had gone into debt on the account there was no evidence she had ever fully paid the costs of the PPI and had been out of pocket for the full amount. So I said, based on what I had seen, the offer MBNA had made was fair.

In response to that provisional decision Ms R provided additional evidence about her debt. This was confirmation from the third party that had bought the debt from MBNA in June 2002 that Ms R had repaid the full the debt, and so repaid the costs of the PPI, in April 2003. Taking this evidence into account I reached a different conclusion and issue a second provisional decision in December 2018.

MBNA did not respond to the first provisional decision I issued, but has indicated in response to the second provisional decision that it accepts my findings. It has also indicated that the compensation of £541.69 was paid to Ms R in April 2018.

Ms R has confirmed receipt of my second provisional decision and also that she received the compensation amount by bank transfer in April 2018.

More detail of the background to this complaint is contained in my second provisional decision issued in December 2018, a copy of which is attached and it forms part of this final decision.

my findings

I've carefully reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I explained in more detail within my second provisional decision why I was going to direct MBNA to recalculate the compensation due to Ms R. I said I thought the total costs of the PPI that had been calculated at £426.58 was fair. But MBNA had only worked out 8% simple interest, as compensation for being out of pocket, on £103.39. This was because it said it didn't know if Ms R had ever repaid the remaining £323.19 for the PPI. It seems Ms R went into debt on her account and in 2002 MBNA sold the debt to a third party. Part of that debt was for the £323.19 cost of the PPI that had been unpaid at that time.

However in response to my provisional decision Ms R had shown the whole debt had been cleared, so she was out of pocket for this £323.19 from the date she cleared the debt in April 2003. So I said MBNA should pay 8% on the total costs of the PPI from April 2003 and

asked MBNA to provide an updated calculation showing the additional 8% simple interest Ms R was due.

MBNA agreed with my findings and eventually provided a new calculation in response to my provisional decision to recalculate the 8% but it hasn't done this correctly. For some reason it updated the 8% simple interest on the total cost of the PPI from the date the original amount of compensation, £541.69, was paid to Ms R in April 2018, to the current date.

Ms R confirms she received this £541.69 by bank transfer in April 2018. So Ms R wasn't out of pocket for any of the actual costs of the PPI, and so no 8% simple interest is due on any of the PPI costs after April 2018. Therefore this calculation is incorrect.

In simple terms, MBNA hadn't paid Ms R any 8% simple interest on the £323.19 that formed part of the debt MBNA sold to a third party in 2002. As Ms R fully repaid that debt in April 2003 she has been out of pocket for the £323.19 since then and should get 8% simple interest on this amount to the date it was repaid in April 2018.

Therefore the calculation MBNA should have provided was 8% simple interest on £323.19 from April 2003 to April 2018 when the total costs of the PPI were refunded to Ms R. This formed part of the compensation paid and so she hasn't been out of pocket for the amount after April 2018.

I have had a calculation undertaken for the 8% simple interest from April 2003 to April 2018 on the £323.19. This comes to £387.85. Tax on this amount would be £77.57 so the amount to be paid directly to Ms R would be £310.28.

So I confirm the findings in my second provisional decision, which is attached and forms part of this final decision. And I am now directing that MBNA should pay a further £310.28 to Ms R.

my final decision

My final decision is that I'm upholding this complaint and directing that MBNA Limited pays Ms R a further £310.28 to compensate her fully for being out of pocket for the total PPI costs.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms R to accept or reject my decision before 13 March 2019.

Christine Fraser
ombudsman

Copy of Provisional Decision

complaint

Ms R's complaint is about the compensation MBNA Limited (MBNA) has offered to settle her complaint about a mis-sold payment protection insurance (PPI) policy connected to her credit card.

background

Ms R complained to MBNA about a PPI policy associated with her credit card which was opened in June 2000. MBNA agreed to uphold the complaint that the PPI was mis-sold and offered Ms R compensation.

Ms R wasn't happy with compensation offered and brought her complaint to this service. Our adjudicator said what MBNA had offered was fair. Ms R wasn't happy and asked for an ombudsman to consider the complaint.

I issued a provisional decision on this complaint in October 2018 explaining why I had ultimately reached the same outcome as the adjudicator but for slightly different reasons. And I gave both parties the opportunity to provide and additional information.

MBNA has not provided any comments or further information in response to my provisional decision.

Ms R has provided some additional information and evidence about her debt to MBNA.

I have reconsidered all the evidence now available and have reached a slightly different outcome. So I am again giving both parties a chance to respond further by issuing this provisional decision.

my provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I issued a provisional decision in this case and have now received additional information which has affected my decision.

MBNA agreed to settle Ms R's complaint that PPI taken out with her credit card in June 2000 was mis-sold. My decision is only considering whether the compensation offered by MBNA to settle the complaint is fair.

MBNA reconstructed the credit card account to show what it would have looked like if PPI had never been added. I set out in my first provisional decision a little detail about how this was done. This reconstruction identified that a total of £379.41 was added to the account in PPI premiums and £47.17 of card rate interest was caused by these premiums. So in total the PPI had cost £426.58.

Neither party has provided any information or disputed this is the amount the PPI actually added to the total credit card balance for the time it was active. The PPI ran from June 2000 to December 2001. Ms R didn't make regular payments to her credit card and in May 2002 the account was closed with an outstanding balance of £5,118.77.

During the time the account was active Ms R had actually paid £103.39 towards the costs of the PPI. The remaining PPI costs of £323.19 were part of the debt of £5,118.77 that Ms R owed to MBNA.

As Ms R had repaid £103.39 of the PPI costs, she was out of pocket for this amount and so MBNA included 8% simple interest as compensation for all the time Ms R was out of pocket and didn't have the use of this money.

However the remaining £323.19 of the PPI costs was still in the debt Ms R owed to MBNA. MBNA sold this debt in June 2002 to a third party. But it offered to refund this amount to Ms R as part of the costs of the PPI that were charged, even though it said it didn't know if Ms R had ever repaid it.. But MBNA didn't include any 8% compensatory interest on this amount as it was never repaid to MBNA and there was nothing to show when or if Ms R was ever out of pocket for the £323.19 PPI cost.

When I issued my first provisional decision there was no evidence that the PPI cost of £323.19 was ever paid by Ms R. Ms R had told us she couldn't remember ever being chased for a debt or ever not repaying the debt so she must have done so at some point. But she had nothing to show she had repaid the debt in full, including the PPI, or when this may have happened.

So based on the information available I said that it was fair for MBNA to refund the cost of the PPI in full and its offer of compensatory interest, which was only on the PPI costs of £103.39 that Ms R had repaid to MBNA, was fair.

In response to my provisional decision Ms R has made contact with the third party who bought the debt from MBNA and has provided evidence from the third party. This shows the total debt it bought of £5,118.77 in June 2002 was repaid by 9 small monthly payments and then cleared in full, by a cheque, in April 2003. So the full balance of the outstanding credit card debt was cleared in 2003.

This evidence now indicates that Ms R did pay the full costs of the PPI and was out of pocket for the total cost from April 2003. Therefore I think that it is fair she should get compensation for being out of pocket for the whole amount from April 2003. And based on the evidence I have now seen I don't think the offer that MBNA made, based on the refund of the costs of the PPI and 8% simple interest only on the £103.39 of the PPI costs is fair.

So I am intending to tell MBNA to recalculate the compensation due to Ms R. But it should now take into account that from April 2003 the full debt, and so full costs of the PPI, had been paid in full by Ms R and she was out of pocket for the total PPI costs from this date. I would ask MBNA to provide its new calculation, in line with what I have outlined, in response to this provisional decision.

As I indicated in my first provisional decision, the issue raised by Ms R about MBNA refunding any commission it got on the PPI premiums isn't of any relevance to this complaint. Ms R is getting back the full costs of the premiums she paid which includes the commission amount that was part of the PPI premiums.

MBNA made its offer of compensation in April 2018 but I am not aware that any compensation has yet been paid to Ms R. So in my final decision I would be directing that MBNA updates its offer to include 8% simple interest on the amount Ms R has been out of pocket to the date of final payment of the compensation to Ms R.

my provisional decision

For the reasons I've set out above, but subject to the responses of both parties, I'm intending to tell MBNA Limited to recalculate its offer of compensation to include compensatory interest on the total PPI costs from April 2003, in addition to its calculation for the compensation due before this period.

This is all subject to any further information that is provided by either party by the date indicated at the start of this decision.

Christine Fraser
ombudsman