

complaint

Miss S complained about the compensation National Westminster Bank Plc (NatWest) offered to settle her complaint about mis-sold payment protection insurance (PPI) and how NatWest has used the compensation.

background

Miss S complained about PPI taken out with a loan in January 2006. NatWest offered to settle her complaint but said it had used the compensation to set against the debt Miss S owed on this loan. Miss S wasn't happy with how the compensation was used and wasn't sure the loan had been reduced as NatWest said.

I've issued two provisional decisions in this complaint both of which the parties confirm they have received. In my first provisional decision I said I wasn't satisfied from the information provided by NatWest that the loan had been reduced as NatWest had indicated. In response NatWest provided some further information.

After some further information was provided by NatWest I issued a second provisional decision in December 2015. That second provisional decision is attached, forms part of this final decision and sets out in more detail the background to this complaint.

I said in both earlier decisions that the approach NatWest had taken in working out the compensation and using it to set against the debt Miss S owed was fair. But it wasn't clear from the information provided that the full costs of the PPI had been set against the debt.

NatWest sent some information in response to the second provisional decision which I considered and again asked for further clarification. After chasing for a response I've now received some further information.

Miss S has received both my provisional decisions but hasn't sent in any information since my second decision in December.

my findings

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

NatWest has offered to settle Miss S' complaint so I'm not looking at how the PPI came to be sold to Miss S. In this decision I am only looking at the PPI compensation NatWest has offered and if what it's done to put things right is fair.

In my last provisional decision I explained why I thought NatWest had set off some of the costs of the PPI against the debt to reduce it. But from the information I'd been sent I couldn't see that NatWest had paid to Miss S an amount of £658.72. This was the amount she had actually repaid as part of her loan repayments.

NatWest had told me that this amount had been transferred to Miss S' current account and then she had been sent a cheque. Although it had also said Miss S had only ever been sent one cheque which she hadn't cashed which was for the 8% simple interest.

In my second provisional decision I said I hadn't seen clear evidence that Miss S had been paid the £658.72. So I thought NatWest should pay this amount to her, plus 8% simple interest from the date each payment was made until the final settlement of this matter.

In response NatWest sent more information. It now says a cheque for £658.72 was *not* sent to Miss S. It has apologised and says it made an error when it said a cheque had been sent to Miss S.

NatWest now says this amount was set against the debt and it sent copies of internal records which show the payment as a credit in August 2012. But these records also show the overall debt, as less than told to Miss S in November 2015 in a letter from its agents.

I asked NatWest to clarify the discrepancies. It eventually responded to say that the correct balance was as shown on their agents records as *"they have the most up to date figures (due to payments received etc)"*.

NatWest also goes on to say that in the agents' records *"[they] have added all the payments received up totalling £6,916.56 and deducted this as a bulk payment instead of individual payments received. The account has been credited with the full amount of £6,918.56 (shown by the 4 payments as you mentioned) and have all offset to the loan account."*

In my provisional decision in December 2015 I said that I could see that the full amount had been set off against the debt as a total amount in the agents' records. The issue was that the £658.72 was later added back into the debt in these records, this being when NatWest said a cheque was paid to Miss S. NatWest have now agreed no payment was made direct to Miss S and its previous information was an error.

Although the internal records NatWest has now sent do show the £658.72 being deducted from the debt in 2012, I haven't seen anything to show this credit in the agents' records. As I've said, NatWest's records show a lower balance on the debt. NatWest suggest this would be because other debts would be included in the total amount shown on the agents' records. But I'm concerned this could also be because the £658.72 has never been removed from this debt.

NatWest's response indicates the agents records are the most up to date and would record all payments. But NatWest hasn't explained why these records do not show the £658.72 credited again to the debt after it was removed in August 2012. So I'm still not totally satisfied the full refund has been made to Miss S.

I don't think it fair or reasonable to allow this matter to continue indefinitely. NatWest has been given the opportunity to provide clear information about how it has used the compensation but it hasn't done so.

Taking all these factors into account I think it's fair to direct NatWest to pay the compensation of £658.72 directly to Miss S as I directed in my provisional decision in December 2015. I accept it's possible that Miss S may have had this set against the debt. But NatWest hasn't clearly shown the debt has been correctly reduced by the compensation for the mis-sold PPI.

So I'm going to direct NatWest to pay Miss S £658.72 plus 8% simple interest from the date each payment was made to the date of final settlement. This will ensure Miss S is not out of

pocket for any costs of the PPI and is adequately compensated for all the delays and confusion which have occurred in the matter.

NatWest agreed in responding to my second provisional decision that the complaint hadn't been handled well and that it would pay £350 for the trouble caused to Miss S for this.

my final decision

For the reasons I have set out above, National Westminster Bank PLC should pay directly to Miss S £658.72 plus 8% simple interest as indicated above and set out in my provisional decision.

Also, if not already paid, National Westminster Bank PLC should pay an additional £350 to Miss S for the trouble and upset caused by the way it has dealt with her complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 29 March 2016.

Christine Fraser
ombudsman

Copy of Provisional Decision

complaint

Miss S is unhappy with the compensation offered, and how it was used, by National Westminster Bank Plc (NatWest) to settle her complaint about the mis-sale of payment protection insurance (PPI).

background

Miss S complained about PPI linked to a loan she took out in January 2006. NatWest offered to settle her complaint but said it had used most of the compensation to set against the debt Miss S owed on this loan. Miss S wasn't happy with how the compensation was used and wasn't sure the loan had been reduced as NatWest said.

I set out the background in more detail in a provisional decision issued in October 2015. Both parties have confirmed they received that decision.

In that provisional decision I said I wasn't satisfied from the information provided by NatWest that the loan had been reduced as NatWest had indicated. In response NatWest provided some further information. Clarification was asked about this information and I have taken everything into account when considering this further provisional decision.

Miss S has confirmed she received my provisional decision. She has confirmed that she only received one cheque from NatWest in August 2012 for the simple interest. This was never cashed.

my further provisional findings

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

NatWest has offered to settle Miss S' complaint so I'm not looking at how the PPI came to be sold to Miss S. In this decision I am only looking at the issues about the PPI compensation and if what NatWest has done to put things right is fair.

Miss S took out a loan with NatWest in January 2006 and at the same time bought a PPI policy. Miss S only made eight monthly repayments before she got into financial difficulties and stopped paying her loan.

Of her monthly repayment of £373.94, only £82.34 was towards the cost of the PPI including the interest. Miss S says she couldn't meet the repayments of her loan because the PPI made it too expensive. But Miss S didn't make regular lower, partial payments when her full payments by direct debit failed. She didn't make any payments at all for some time. So I don't think the PPI caused her financial problems and failure to make the loan repayments.

In 2009, through its agents, NatWest obtained a court order for this loan debt and some other money Miss S owed the bank. This debt amount was ordered to be charged against her property by the court. Once the full debt is settled the charging order will be removed

from the property. But Miss S is concerned that the loan debt hasn't been reduced by the full amount of the PPI compensation and she is unhappy that the debt is charged against her property.

I explained in my original provisional decision that although this wasn't originally a secured loan against Miss S' property, the court ordered that NatWest could secure it as a debt against the property. Although part of this loan debt is for the PPI once the debt is cleared the charging order against the property will be removed. So as long as the loan debt is reduced by the amount of the mis-sold PPI, Miss S will only have to pay back the amount she owes for the rest of her loan and debts to get the charging order removed.

NatWest has said in this complaint that the 8% simple interest was paid by cheque to Miss S but the rest of the compensation for the mis-sold PPI has been used to reduce the loan debt. Miss S is unhappy as she doesn't think the loan debt has been reduced as NatWest says.

NatWest has provided copies of its records and calculations for the PPI compensation. These show the PPI was cancelled in October 2011 when it offered to settle Miss S' complaint.

In total, with interest, Miss S would have repaid £31,037.02 for her loan and the PPI if it was repaid over the full term. The calculations show on cancellation of the PPI a rebate of £4,736.15 was due. Also that £1,521.69 of the PPI premium was still part of the loan debt. Miss S had paid a total of £658.72 towards the costs of the PPI when she defaulted on the loan. This made the total cost of the PPI as £6,916.56

In an offer letter in January 2012 NatWest told Miss S that it would pay the rebate against the loan and pay to her the £1,521.69 plus £658.72 and 8% simple interest. It said it would then be for Miss S to pay the relevant amount that was still part of the loan towards reducing the outstanding debt. But it didn't do this. It sent to Miss S a cheque for £312.20, which was the 8% simple interest. And it says it then set the £1,521.69 and the £658.72 against the loan debt.

Miss S didn't cash the cheque she was sent in August 2012 for the £312.20 and NatWest has since cancelled this cheque. Miss S says it isn't clear from the information she has been given that NatWest has reduced the loan debt and charging order as it said for the costs of the PPI.

In my first provisional decision I said that there was very little evidence that NatWest had set the costs of the PPI against the debt Miss S owes. And I was suggesting NatWest should pay the full costs of the PPI to Miss S if it couldn't provide evidence to show the debt had been reduced as it said.

In response to my provisional decision NatWest has sent what it says is a "Statement of Account" for the loan from its agents. This is actually a record of payments made against the loan debt.

I can see from this all the payments made from June 2008 until October 2015. Miss S has made payments of amounts of £10 and £20 throughout this period. Then on 13 October 2011 an amount of £6,916.56 is shown as credited to the account. This credit to the loan account happened when NatWest upheld Miss S' complaint about the PPI in October 2011.

So at this point it seems the total cost of the PPI was removed from the outstanding loan debt. But I can also see from the payment schedule that on 1 August 2012 an amount of £658.72 is shown as paid "*direct to the client*". NatWest has said this amount was debited to the loan account on this date, as a cheque for this amount was paid to Miss S. It says this was the refund of what she had paid for the PPI.

This information isn't what NatWest had said earlier. As I said in my provisional decision NatWest said a cheque for £312.20, the total 8% compensatory interest, was sent to Miss S in August 2012. It now says the £658.72 was also paid to her by cheque in August 2012. The loan account payments schedule also suggests that this £658.72 amount was paid to Miss S direct.

Miss S had stated clearly that she only ever received one cheque for £312.20 and she never cashed it. Although NatWest has now told us it sent a cheque for this £658.72 this has never been indicated before and I've seen nothing to show a cheque for this amount was ever sent and cashed.

By email on 16 October 2014 NatWest sent to this service information which said "*£658.72 was paid into the customers current account (proof below) which was the refund element but it was off set.*"

The "proof" was an extract of Miss S' account which shows on 1 August 2012 a credit for £658.72 was made to Miss S' current account. But then on 3 August 2012 a debit for the same amount is made with the reference "*ROSO PPI 268923*". The email goes on to say that the £658.72 "*will have been paid into the loan however if we need to prove this then loan statements need to be ordered*".

The loan account statement NatWest has sent in response to my provisional decision does not show what it said in its email happened – that is the amount was paid into the loan.

In summary from the evidence I have now seen, NatWest has set the rebate of £4,736.15 and the £1,521.69 against the loan debt. This would seem to have been done in October 2011. But although the £658.72 was originally set against the debt at the same time, NatWest later removed this in August 2012.

I don't know what NatWest did with the £658.72 when it removed it from the loan account, paid it to Miss S' current account and then took it out again in August 2012. Although in its email it says it was paid to a suspense account and credited to the loan, the loan debt repayments do not show that. And I've seen nothing to show that a cheque for this amount was ever sent to Miss S as NatWest has very recently said. I accept Miss S' testimony she only ever got one cheque which she didn't cash.

In summary I think NatWest still owes Miss S this £658.72 plus the 8% simple interest on this amount from the date each payment was made. The simple interest will need recalculating from when the payments were made to the date of final settlement.

With regard to the debt still outstanding, from the information I've now seen I'm satisfied that £4,736.15 and £1,521.69 were removed from the loan debt in October 2011. This and Miss S' monthly payments have now reduced the debt outstanding to a balance of £21,855.04 as at 9 November 2015. I believe Miss S has had a copy of a letter from the agents confirming this amount as the outstanding debt.

The information provided by NatWest has been inconsistent and confusing. I can understand why Miss S was unclear that her debt had been reduced by the right amounts. I've set out above what the current amount of the loan debt is and this should not increase due to the payments I am directing NatWest needs to make to Miss S. This is because from the statement provided the adjustment of the £658.72 was made in August 2012 to repay this direct to Miss S.

For the poor and conflicting information and delays caused by the way NatWest has dealt with this complaint I am also intending to award a further £350.00 to Miss S for all the trouble and upset she has been caused.

my provisional decision

For the reasons set out I'm currently intending to direct National Westminster Bank Plc to pay to Miss S directly the £658.72 she made in repayments, plus 8% simple interest on this amount from the date each payment was made to the date of final settlement to Miss S.

I'm also intending to award a further £350.00 for the trouble and upset caused to Miss S by the way National Westminster Bank Plc has dealt with this complaint.

This is subject to any further evidence or information sent by either party before the date I said at the start of this decision. I would also say that I intend to comply strictly with that date for any responses to be received.

Christine Fraser
ombudsman