

The complaint

Ms T has complained that Bank of Scotland plc (BoS) incorrectly declined a claim she made on a loan payment protection insurance (PPI) policy which resulted in the debt being sold to a third party (for the wrong amount) and a charge being placed on her property. She has also complained about the time it has taken for her complaint to be dealt with.

What happened

Ms T took out the loan and PPI in March 2003 and was then made redundant in September 2003. She contacted the insurer in 2004 to make an unemployment claim but it was declined.

In July 2017 BoS upheld a complaint about the PPI having been mis-sold and paid her £4,615.37 redress – which was a full refund of the premium plus 8% interest.

In 2019 BoS reviewed the claim and accepted that it should not have been declined in 2004. So it paid Ms T the value of the claim plus 8% interest, which totalled £3,188.54. It also paid her £500 for trouble and inconvenience.

In response to Ms T's current complaint, BoS has again accepted that it did not provide the service that she had the right to expect. It has offered her a total of £5,850.44. This is made up of £1044.19 for interest on the loan from the time when Ms T was in financial difficulty from October 2003, £606.13 refund of charging order fees, £1700.12, which is 8% interest on those two amounts, and £2,500 for distress and inconvenience.

Our adjudicator thought that BoS's offer was reasonable, so he didn't uphold the complaint. Ms T disagrees with the adjudicator's opinion and so the complaint has been passed to me for a decision.

What I've decided – and why

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

Ms T has provided lengthy submissions in support of her complaint. Whilst I am not going to address every point she has made, I would like to assure her that I have read and considered everything that she has said.

Although Ms T says that BoS hasn't taken responsibility for anything, it has fully upheld her complaint, apologised for its failings and offered her compensation.

Unemployment claim

In 2019 BoS reviewed the claim file and accepted that it should have paid the claim in 2004. So it paid the claim amount and added 8% interest up to the date that Ms T received the payment. Ms T says that BoS had to offer her the 8% interest as that's the law, so it wasn't

doing it as a favour to her. What BoS has done here relates to the delay in paying the claim and is intended to compensate her for the time that she was without those funds.

I do understand that Ms T remains very upset that the claim wasn't paid out in 2003-2004 and that she was caused a great deal of stress and anxiety as a result. However, in looking at what BoS have done to put things right, I consider that paying the claim and adding 8% interest was reasonable. It paid her £500 for distress and inconvenience at that time. That, together with the £2,500 being offered additionally now, is a reasonable response to her complaint.

Sale of the debt to a third party

Ms T believes that, had the claim been paid out at the time, she wouldn't have defaulted on the loan and so the debt would not have been sold to a third party. Had the claim been paid out it would have paid six months' worth of repayments. Ms T returned to work on 1 April 2004 and the available evidence suggests that she continued to miss some payments after that point. So, at the time the loan was defaulted in December 2005, the arrears were greater than just the six months' worth of repayments missed during the claim period.

Ms T says that, if things had been done differently, the account could have stayed with BoS and a payment plan could have been set up for her to pay a lower amount to stop the account going into arrears. But the account would still have gone into arrears if she was paying less than the monthly contractual repayments and it is just as likely that the debt would still have been sold on at some later date.

I've thought very carefully about this issue. But, on balance, I'm unable to conclude that the loan wouldn't have defaulted anyway and been sold to the third party.

It follows that I'm also unable to conclude that the third party debt agency wouldn't have placed the charging order on Ms T's property. However, BoS has offered to refund the charges that were added to Ms T's account as a result of this, together with interest, which I consider to be fair in the circumstances.

I agree with Ms T that this isn't a mis-sale complaint. But the redress of £4,615.37 that was paid to her for the mis-sale in 2017 is a relevant consideration when looking at this current complaint.

When BoS sold the debt on to a third party in 2005, it sold it for £16,864.24. When the PPI was cancelled at that time, an insurance rebate of £1,206.50 should have been applied to the outstanding balance to reduce it. However, as the mis-sale redress Ms T received in 2017 was a refund of the full PPI premium, she has essentially already received that amount back, which is why BoS hasn't offered it again.

Ms T says the debt amount sold to the third party would have been even smaller if interest on the loan had been frozen at the time that she lost her job and was unable to pay. BoS's position is that, back in 2003, it didn't necessarily freeze interest in the same way as it does now when someone gets into financial difficulty. However, it has decided to offer a refund of interest from 1 October 2003 plus simple interest of 8%. BoS's offer of £1044.19 is greater than Ms T's own calculation of £888.61.

Complaint handling

Ms T hasn't said what she would like BoS to do to put things right. I suspect it is the amount of £2,500 compensation it has offered for distress and inconvenience which she feels is insufficient.

Ms T first tried to get her claims case dealt with in 2003. She says she wasn't signposted to the insurer until January 2004, who then incorrectly declined the claim for sickness when she was actually making an unemployment claim. Over the years Ms T has contacted BoS who failed to investigate her concerns properly. In particular, it took BoS three years to get to grips with Ms T's enquiries about what the correct balance of the loan should have been when it was sold. She made a couple of complaints that were voided without telling her, and she was sometimes given incorrect information.

Ms T has explained how her mental health has been affected and there is no doubt that she has gone through a very difficult and stressful time. BoS has told Ms T that it can't apologise enough for the distress she has been caused and that it is looking to make improvements to its systems as a result.

When it comes to compensation, awards made by this service are more modest than Ms T might hope or expect. I have a great deal of sympathy for Ms T and what she has gone through. But based on the available evidence, I'm satisfied that £2,500 is a reasonable and proportionate amount to compensate Ms T for her distress and inconvenience.

In summary, I think that BoS's offer of £5,850.44 is fair and reasonable.

On another matter, Ms T has complained that BoS disclosed her personal information to a third party. This issue didn't form part of her original complaint and, as our adjudicator has explained, would be better dealt with by the Information Commissioner's Office.

My final decision

For the reasons set out above, I do not uphold Ms T's complaint.

Bank of Scotland plc (trading as Halifax) has explained that its offer remains open. So it should pay it to Ms T now if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 23 August 2023.

Carole Clark
Ombudsman