

The complaint

This complaint is about whether MBNA Limited fairly compensated Mr D after he complained about mis-sold payment protection insurance ('PPI').

What happened

It looks as though Mr D complained to MBNA about the sale of PPI in or around 2019. On 11 October 2019, MBNA said that it had upheld his complaint '*as a gesture of goodwill*' and it offered to pay him compensation of £267.90. This included 8% simple interest to compensate Mr D for being out of pocket because of the PPI policy.

MBNA says it sent a cheque to Mr D for that amount. Mr D did not receive it and so he complained to this service.

After our adjudicator made some further enquiries, MBNA said it had reissued a cheque for the same amount on 14 March 2022.

Our adjudicator said that MBNA should have updated Mr D's compensation so that the 8% simple interest element was calculated up to the time Mr D got his money back.

MBNA said it did not think it was fair to require it to recalculate 8% simple interest. It said it had sent the cheque to the correct address and it wasn't its fault the letter had not been received by Mr D.

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.

I agree with our adjudicator that MBNA must recalculate 8% simple interest and pay that to Mr D up to the date he gets the money back. I'll explain why below.

MBNA agreed to compensate Mr D as though PPI had been mis-sold. That means I don't have to consider what happened at the point of sale. I'm looking at whether MBNA's offer of compensation was fair.

I would expect MBNA to return Mr D to the position he would have been in if PPI had never been sold in the first place. This would involve refunding what Mr D paid for the PPI, along with any associated charges.

MBNA would also have to pay 8% simple interest from the time when Mr D's credit card account would have been in credit but for the PPI. That's because Mr D has effectively been deprived of that money because of the PPI policy. The 8% simple interest is to compensate him for being out of pocket because of the PPI.

MBNA argues that it wasn't at fault by issuing the cheque and sending it to the correct address. But Mr D did nothing wrong either. He did not receive that cheque and I can see no reason why Mr D would have taken the trouble to complain to this service if he had the cheque in his possession.

The underlying issue here is that irrespective of whether MBNA sent the cheque to the right address, Mr D has been deprived of the money he spent on PPI up until the date he gets that money back.

Accordingly, the fair conclusion is that MBNA must recalculate its offer to Mr D and pay 8% simple interest up until the date Mr D gets the money back.

It is not clear whether Mr D has cashed the latest cheque MBNA sent to him on 14 March 2022. I can see that from a discussion with our adjudicator, he indicated he would not do so until he had a final answer from this service. If Mr D has not cashed the cheque, MBNA will need to reissue a cheque for the entire amount to include the updated 8% simple interest. If he has cashed it, MBNA will need to issue a cheque for the difference.

Putting things right

MBNA must:

- Recalculate its offer and pay to Mr D 8% simple interest* up to the date he gets that money back;
- If Mr D has not cashed the cheque MBNA sent to him on 14 March 2022, MBNA must cancel it and reissue a new cheque for the revised amount;
- If Mr D has cashed the cheque MBNA sent to him on 14 March 2022, MBNA must issue a new cheque for the difference.

*HM Revenue and Customs requires MBNA to deduct tax from this simple interest. MBNA must give Mr D a certificate showing how much tax has been deducted if he requests it.

My final decision

I uphold the complaint about MBNA Limited to the extent set out above. I require MBNA to comply with the above '*putting things right*' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 12 July 2022.

Nicola Bowes
Ombudsman