

LENDERS FACE FINES OVER DELAYS IN INVESTIGATING ALLEGATIONS THEY MIS-SOLD LOAN COVER

Banks still snub PPI complaints

BANKS and other lenders are still failing properly to investigate customer complaints about payment protection insurance (PPI), according to the Financial Ombudsman Service. It has alerted the Financial Services Authority, which is investigating the handling of complaints at a number of companies and insiders say fines are 'highly likely'. The culprits are believed to include High Street banks, some of which are now part-owned by the Government.

This is not the first time lenders have mismanaged complaints to deter complainants and delay compensation. During the endowments mis-selling scandal, insurers and mortgage lenders such as Abbey were fined for the malpractice. Now lenders are up to the same tricks with legitimate PPI complaints. Such insurance is sold alongside loans and credit cards and in theory covers repayments if borrowers lose their income due to illness or redundancy.

It has been widely mis-sold by lenders, leading to a rash of fines

By **JO THORNHILL**

from the FSA. The FOS, which is supposed to resolve disputes only when a firm and a customer have reached deadlock, is dealing with a record 500 PPI cases a week, making up one quarter of its workload.

Under chief ombudsman Walter Merricks, the FOS expects to have processed 25,000 PPI cases in the year to the end of April, up from 10,000 in the previous financial year.

The FOS says many of these cases should never have been brought. 'Some firms are being obstructive and there is evidence of systemic complaints-handling failure,' says a spokeswoman. 'The FOS uphold rate on PPI cases is at an unacceptably high level - 90 per cent with some firms. We are disappointed and are pushing for the FSA to investigate.'

Sally Bowyer of third-party claims

handler Brunel Franklin say lenders are 'making a mockery' of the FOS. Brunel Franklin says the number of PPI cases it is handling has risen 500 per cent between April 2008 and last month. Claims handlers battle financial complaints on behalf of consumers, taking a cut of any money won back.

'We're seeing a wide range of tactics by PPI sellers to reduce payouts, slow the process and delay compensation,' says Bowyer.

'Some companies send all cases to the FOS, but, worse, they then seek a senior ombudsman's opinion every time an FOS adjudicator rules that the company has mis-sold PPI. It means they delay the process as long as possible, hoping complainants give up.'

The FSA says: 'We are taking action and working with the FOS to ensure customers are treated fairly.'

Alan Rudd, 49, from Belyedere, south-east London, borrowed £10,000 from Black Horse, part of Lloyds TSB, a year ago, but the salesman failed to tell him PPI premiums of £2,000 had been added to the loan. The insurance was worthless as



Photo: STEVE BURTON

FURIOUS: Alan Rudd did not realise he was paying for PPI on top of loan payments

Alan, who is single, receives disability living allowance. He was forced to retire as a bus driver due to a muscle-wasting illness. He also suffers from severe asthma and arthritis in his knees.

Alan did not realise for many months that he was paying for PPI on top of his loan repayments, including 11.9 per cent interest on premiums, until he read about the scandal in Financial Mail.

Alan says: 'I was furious. PPI was never mentioned. I'm paying for

something I could probably never claim on.' He complained to Black Horse, but earlier this month it said he had signed a form agreeing to the purchase of PPI. Alan says he was never explicitly told that he would be paying for PPI and is now pursuing his complaint with the FOS.

Last week, Lloyds TSB insisted that Alan had been aware of what he was paying for. It also said it treated all customer complaints seriously and was committed to 'working with the FSA and FOS'.

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