

The complaint

Mr B's complaint is that The Royal Bank of Scotland Plc (RBS) has used the compensation from a mis-sold payment protection insurance (PPI) policy to reduce the debt it says Mr B still owes following completion of an Individual Voluntary Arrangement (IVA).

What happened

In 2000 Mr B entered into an IVA. The IVA was completed in 2004.

RBS was party to the IVA.

In 2020 Mr B complained to RBS about a PPI policy he had been sold with a loan he took out in 1998.

RBS agreed to uphold the complaint and offered compensation which Mr B accepted. But RBS used the compensation to reduce the debt it said was still owed by Mr B.

Mr B says that as the IVA has been completed, RBS should pay the compensation directly to him as other businesses had done.

Our adjudicator thought RBS had acted fairly. Mr B disagreed with the adjudicator's findings so the complaint's been passed to me.

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've decided not to uphold Mr B's complaint and I'll explain why.

I've looked at the letter RBS sent to Mr B in January 2020. I can see that on page one it mentions the offer of £2,990.80. On page two the letter mentions that if Mr B had been party to an IVA any payment would be made to the "*relevant account*". And on the form which Mr B signed to accept the offer it was again stated that if Mr B had been in an IVA then "*any payment will be made to the relevant account*". So I think RBS' offer made it clear that it intended to use the compensation to offset any outstanding debt.

Mr B has told us there is no outstanding debt as all the debt with RBS was written off and does not exist following the completion of the IVA.

I've thought about this but when Mr B entered into the IVA, the debts he owed weren't cancelled. And they weren't cancelled when he completed the IVA in 2004. Mr B couldn't be chased for the debts. However, the debt he had with RBS still existed.

RBS has shown us evidence that on completion of the IVA there remained a debt of £5,361.52. I think RBS can use the compensation to reduce this balance. In effect Mr B owes RBS the outstanding debt, and RBS owes Mr B a smaller amount of compensation for a mis-sold PPI policy. So I think it's fair for RBS to set one against the other.

Mr B has pointed out that other businesses that were party to the IVA have paid compensation arising from PPI directly to him. But each business is free to exercise its own commercial judgement, and in this case RBS has chosen to use the compensation to reduce the outstanding debt that still existed following the IVA. And I think it's acted fairly in doing so.

My final decision

My final decision is that The Royal Bank of Scotland Plc has acted fairly when using the compensation from a mis-sold PPI to reduce Mr B's outstanding debt. So I make no further award against The Royal Bank of Scotland Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 May 2021.

Steve Thomas
Ombudsman