

The complaint

Ms E's complaint is that The Royal Bank of Scotland Plc (RBS) has used the compensation from a mis-sold payment protection insurance (PPI) policy attached to credit card ending 9423 to reduce the debt it says Ms E still owes following completion of an Individual Voluntary Arrangement (IVA).

What happened

In 2010 Ms E entered into an IVA. The IVA was completed in 2016.

RBS was party to the IVA.

Ms E later complained to RBS about a PPI policy she had been sold with a credit card ending 9423.

RBS agreed to uphold the complaint and offered compensation which Ms E accepted. But RBS used the compensation to reduce the debt on the credit card it said was still owed by Ms E.

Ms E says that as the IVA has been completed and the debt "written off" RBS should pay the compensation directly to her. Ms E says other businesses have paid compensation direct to the consumer in similar situations.

Our adjudicator thought RBS had acted fairly. Ms E 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 Ms E's complaint and I'll explain why.

I've looked at the letter RBS sent to Ms E in March 2020. I can see that on page one it mentions the offer of £2,462.60. On page two the letter mentions that if Ms E had been party to an IVA any payment would be made to the "*relevant account*". And on the form which

Ms E signed to accept the offer it was again stated that if Ms E 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.

But Ms E 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 Ms E entered into the IVA, the debts she owed weren't cancelled. And they weren't cancelled when she completed the IVA in 2016. The debt was "written off" which meant Ms E couldn't be chased for the debt. However, the debt she had with RBS still existed.

RBS has shown us evidence that on completion of the IVA there remained a debt of £4,361.05. I think RBS can use the compensation to reduce this balance. In effect Ms E owes RBS the outstanding debt on the credit card, and RBS owes Ms E 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.

Ms E has pointed out that other businesses in similar situations have paid PPI compensation direct to the consumer. 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 Ms E'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 Ms E to accept or reject my decision before 7 June 2021.

Steve Thomas
Ombudsman