

The complaint

Mr G's

The complaint

Mr G's complaint is that National Westminster Bank Plc (NatWest) has used the compensation from a mis-sold payment protection insurance (PPI) policy to reduce the debt it says Mr G still owes following completion of an Individual Voluntary Arrangement (IVA). Mr G wants NatWest to pay the compensation directly to him.

What happened

Mr G entered into an IVA. My understanding is the IVA was completed in 2008. NatWest was party to the IVA.

In 2020 Mr G complained to NatWest about a PPI policy he had been sold with a loan.

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

Mr G says that as the IVA has been completed, NatWest should pay the compensation directly to him.

Our adjudicator thought NatWest had acted fairly. Mr G 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 G's complaint and I'll explain why.

I've looked at the letter NatWest sent to Mr G in April 2020. I can see that on page one it sets out the offer of compensation. On page two the letter mentions that if Mr G had been party to an IVA any payment would be made to the "*relevant account*" and any disbursements would be managed by NatWest's insolvency team.

And on the attached acceptance form it was again stated that if Mr G had been in an IVA then "*any payment will be made to the relevant account*". So I think NatWest's offer made it clear that it intended to use the compensation to offset any outstanding debt.

Mr G believes there is no outstanding debt as all the debt with NatWest was written off and does not exist following the completion of the IVA.

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

NatWest has shown us evidence that on completion of the IVA there remained a debt of £14,043.78 which originated from a current account overdraft and an outstanding loan. I think NatWest can fairly use the compensation to reduce this balance. In effect Mr G owes NatWest the outstanding debt from his current account and loan, and NatWest owes Mr G a smaller amount of compensation for mis-sold PPI policies. I don't think it would be fair for me to direct NatWest to pay Mr G the PPI compensation when Mr G still owes NatWest a larger amount. So I think it's fair for NatWest to set one against the other.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 1 June 2021.

Steve Thomas
Ombudsman