

The complaint

Mr B has complained about how National Westminster Bank Plc ('NWB') used the redress from the mis-sale of a payment protection insurance ('PPI') policy he took with his credit card (account number ending 5181).

What happened

Mr B had three separate accounts with NWB – a loan, an overdraft and a credit card. In December 2004 Mr B defaulted on his accounts and entered into a debt management plan ('DMP') via a third party. NWB passed Mr B's debt to a debt collection agency and payments were made between March 2005 and March 2010 at which point NWB took the debt back.

Mr B made a complaint in August 2019 about the mis-sale of PPI on his credit card account. The complaint was upheld and NWB offered redress of £1,197.46. Mr B accepted the offer and signed the acceptance form in July 2020. When Mr B chased for the payment, he was informed that NWB had used the redress to offset against an outstanding balance on his credit card account. And there remained an outstanding balance of £1,503.09 after the offset.

Our adjudicator who looked at the complaint didn't think it should be upheld. NWB was entitled to offset the redress paid against an outstanding balance. NWB had provided evidence to show the credit card debt reductions from between 2005 and 2010 and the account could be identified on the list of Mr B's creditors.

Mr B was unhappy with this. He wasn't aware he had an outstanding balance on his credit card account. All payments on his debts were made on his behalf by the third party. He wasn't happy that NWB hadn't told him about the transfer of his accounts in 2010. He didn't think it was right for the redress to be used to offset against the debt (about which he wasn't informed prior to it being offset) – it was a statute barred debt and says he should have been told of this before he agreed to NWB's offer. He didn't agree with the amount of debt NWB referred to. He highlighted the three NWB debts on the original List of Creditors against his DMP statement. He was also not happy with the inconsistent way NWB charged interest on accounts in financial difficulty.

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.

After doing so I've decided not to uphold Mr B's complaint. I'll explain why.
Mr B's awareness of the outstanding debt

In response to the adjudicator Mr B reiterated that the main point of his complaint against NWB, was that it failed to inform him of the outstanding debt on his credit card prior to his agreement to the offer and NWB then using the PPI pay-out to offset against a statute barred debt.

Mr B has told us he wasn't aware there was an outstanding debt – all of his debts were paid on his behalf by the DMP.

In NWB's letter of 24 August 2020 sent to Mr B it said it hadn't had any contact with him regarding his credit card account since 2010. The last payment it had received was £41.84 on 6 January 2010. We asked NWB about the contact it had with Mr B in 2010 after it took the debt back and how he would have been aware that there was a balance outstanding on his credit card account.

NWB explained that the account was initially sent to a debt collection agency in March 2005 and was transferred to other agencies until the whole debt collection agency placement process had been completed and it was recalled. NWB said it's unclear whether Mr B was contacted when the account was recalled. But my understanding is it's not unusual for a business to decide it's not worth pursuing a long outstanding debt and I refer to this again below.

Was NWB right when it offset the pay-out against the outstanding balance?

Mr B says the debt is statute barred. This refers to the timescales within which a creditor, in this case NWB, can bring an action to recover the debt through the courts. But NWB isn't chasing Mr B for this debt, and although NWB may not be able to now pursue Mr B for that debt this doesn't mean the debt is extinguished.

Put simply, Mr B still owes that debt to NWB. And I think it would be fundamentally unfair to tell NWB to pay back the extra £1,197.46 Mr B paid for PPI on his credit card when he didn't repay everything he owed. I can't see how that is fair. So, in conclusion, I think in the circumstances of this complaint, NWB wasn't being unreasonable to have used the redress payment to reduce the debt owed to it by Mr B.

The amount of the debt

NWB has provided us with bank statements for Mr B's credit card account. The first is dated March 2005 and shows an outstanding balance of £5,029.56. The second is dated March 2010 and shows an outstanding balance of £2,700.55 – a difference of £2,329.01. This was further reduced to £1,503.09 after the credit of the PPI redress.

NWB has also given us a statement of the payments made between 24 August 2005 and 28 January 2010 on the outstanding debt. The amount paid each month varies, but the total amount paid is £2,329.01 which tallies with the difference between the two NWB bank statements of Mr B's credit card account.

Mr B has questioned this. He has given us a statement from his DMP dated May 2020 which shows two NWB accounts for his overdraft and loan. There is another account using the title of one of the debt recovery agencies, account number ending 0037. It's likely that this refers to his credit card account as its listed on the original List of Creditors (using the same account number) as owing £5,029 which is the same amount on NWB's March 2005 statement.

The DMP statement dated May 2020 shows payments made to that account of £1,055.65, so less than the amount recorded on the NWB statements. If that is the case, then Mr B is in a more advantageous position than he would have been otherwise – NWB shows payments of £2,329.01 against the payment of £1,055.65 as per the DMP statement. If Mr B has concerns about the records kept by the DMP then he should direct those concerns to the DMP.

Interest rate charges

Mr B has commented on interest that may have been charged to his accounts once he was in financial difficulty. I have not checked his overdraft or loan accounts, but the statements provided by NWB for his credit card account show that no interest was charged after November 2004 when it was clear he was in financial difficulty. If Mr B has concerns about the other accounts, he should raise that with NWB as a separate complaint.

I know my conclusion will be disappointing to Mr B but after taking into consideration all of the information and evidence provided by the parties, my decision is that I do not uphold Mr B's complaint. In the circumstances of this complaint I don't find that NWB was being unreasonable in how it used the redress due for Mr B's PPI credit card mis-sale.

My final decision

For the reasons given above, I don't uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 May 2022.

Catherine Langley
Ombudsman