

The complaint

Mr S is unhappy with how Hoist Finance UK Limited have handled a refund which was used to offset his debt.

What happened

Mr S says he had an outstanding debt on his credit card with a bank who I'll refer to as B. The amount was £411.01 and this debt was purchased by Hoist in October 2018.

In April 2021, Mr S says he received a letter from Hoist offering him an arrangement to pay discount meaning he'd only have to pay £226.06 of the £411.01 outstanding balance. Hoist let Mr S know if he couldn't make this in a one-off payment, he could make the repayments over three months, meaning he'd make three monthly payments of £75.56.

Mr S accepted this arrangement and it was set up on 6 May 2021. Mr S made the first payment of £75.56 on 1 June 2021.

Hoist say they received a remediation refund of £357.40 from B on 29 May 2021 – this was as a result of B doing a review of how they historically charged default fees and they felt Mr S was adversely affected by these fees. B wrote to Mr S to let him know that they asked Hoist to offset the outstanding debt on Mr S' account by £357.40, which then left him with a balance of £53.61. However, as Mr S made the payment of £75.56 on 1 June 2021 (which was after B's refund), this put Mr S' account in credit by £21.75.

Mr S says this is unfair – he said he was in an arrangement to pay with Hoist and so B should have sent the refund directly to him. Then it would have been up to him to decide whether to pay off the outstanding debt. Mr S also says as the outstanding debt was £226.06 and no longer £411.01, he'd like Hoist to reimburse him with the £206.70.

Our Investigator looked into Mr S' concerns. She said the remediation refund was made up of default charges on the account rather than overpayments made by Mr S. So, the refund was correctly transferred to Hoist to reduce the outstanding debt amount. And our Investigator felt it was fair for this to happen. She also said as a result of Mr S' debt being paid off, his credit file would be updated to show the account was now fully satisfied, rather than partially satisfied.

Mr S responded and disagreed with our Investigator's findings. In summary, he clarified his complaint wasn't about how the account would appear on his credit file and instead, was about the fact that he ought to have received the refund from B - as there was already an agreement in place to settle the account with the instalments he agreed to. Mr S said Hoist should have let B know that he had an arrangement to pay in place and that they'd offered him this to clear the outstanding balance. So, the complaint has been passed to me to decide.

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 understand Mr S feels strongly about what's happened here – the crux of his complaint is that Hoist shouldn't have been allowed to use the refund they received from B to offset it against the outstanding debt he had.

I don't think it was wrong for Hoist to offer a repayment plan to Mr S in order to pay at least half of the outstanding balance of the debt owe. I say this because, in my opinion, this was a positive attempt to help Mr S clear his debt. Hoist explained the arrangement Mr S entered into meant he'd pay £75.56 and Hoist would pay £61.65 over three months to clear the debt in full. So, while Mr S would only be paying £226.06, the overall debt amount remained as £411.01. Having read Hoist's letter where they offer the arrangement to pay to Mr S, I think they could've been clearer in explaining that the outstanding debt amount was still £411.01. However, I can see that Hoist make this clear in the email copies Mr S has supplied where Hoist confirm the arrangement to pay offer is now in place.

From the information available to me, it seems Hoist were acting upon instruction of B as they asked Hoist to offset the refund amount against the outstanding debt balance. In any case, I don't think Hoist have done anything unreasonable here. I say this because as Hoist have explained, if there wasn't a debt outstanding, B's refund would have been given directly to Mr S. However, as there was an outstanding debt owing on his account, this was used to offset this amount. I think this was fair for them to do as ultimately, Mr S still owed the debt. And because of the remediation refund being offset against the debt amount, Mr S didn't need to continue with the monthly payments agreed under the arrangement Hoist set up. Also, as a result of this, Hoist have been able to update this account on Mr S' credit file as fully settled.

I understand that because of B's refund and the initial payment Mr S paid (before he knew about the refund), this meant Mr S' account went into credit by £21.75. Hoist wrote to Mr S in June 2021 asking for his bank details so they could pay the £21.75 to him. But Hoist have told us they're still waiting to receive this information. Mr S should contact Hoist directly with his bank details should he wish to receive the payment of £21.75.

My final decision

For reasons explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 April 2022.

Leanne McEvoy
Ombudsman