

The complaint

Mr O complains that HFC Bank Limited did not fairly compensate him after it mis-sold payment protection insurance ('PPI') to him alongside a credit card.

What happened

HFC agreed that PPI had been mis-sold to Mr O and it offered to pay £8,238.94 in compensation for that mis-sale. But instead of paying Mr O directly, HFC said it was going to use the compensation to reduce the outstanding balance on his credit card. This is called offsetting.

Mr O didn't think that was fair. He said he thought the debt had been sold on to a third party, and that HFC had treated him badly for many years.

Our adjudicator looked at all of this. He thought the amount Mr O owed to HFC was more than the PPI offer. So he thought it was fair for HFC to offset the compensation from the outstanding balance. He also said HFC hadn't sold Mr O's debt to another company, although it had instructed solicitors to collect it on its behalf.

Mr O didn't agree with our adjudicator's view. He said HFC had not proved he owed what it said he did, and he did not agree he owed HFC anything.

As Mr O did not agree with what our adjudicator said, the matter has been passed to me to make a final decision.

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.

HFC accepts that the PPI policy was mis-sold and it offered to put Mr O in the position he would be in now if PPI had never been sold in the first place. That means I don't need to look at *how* PPI came to be sold to Mr O. I am concerned with whether HFC's compensation offer is fair.

Was compensation fairly calculated?

The first thing I've considered is whether HFC fairly calculated the compensation in this case. To fairly compensate Mr O, HFC needs to calculate the PPI premiums and any interest charged on those premiums. It also needs to add 8% simple interest per year for any period Mr O was out of pocket.

Looking at HFC's calculation, I think it has undertaken those steps. I can see that it has also deducted the value of a successful claim Mr O made, which is in line with what I would expect. Mr O hasn't raised an issue about the amount HFC calculated. Overall, I am satisfied that HFC's calculation of £8,238.94 is fair.

Offsetting

I've next looked at whether it was fair for HFC to keep that compensation back and use it to reduce what it says Mr O owed on his credit card.

For HFC to be able to keep that compensation back (or offset), I have to be satisfied there is a close connection between the PPI compensation and the outstanding debt. In this case, all of the PPI costs were charged to the credit card, and the PPI policy only applied to this card. So I'm satisfied there is a clear, direct connection between the PPI HFC owes Mr O and the outstanding balance on the credit card that Mr O owes HFC.

I also have to be satisfied that HFC still owns the debt. I appreciate Mr O says it was sold to a third party some time ago. I can see that HFC's solicitors are collecting the outstanding balance on behalf of HFC. From what I've seen, I can't say HFC sold the debt to its solicitors. That means I'm satisfied HFC can offset what Mr O owes against the outstanding balance on his credit card.

Mr O disputes that he owes HFC anything and says he doesn't have a statement of account. I haven't been provided with a statement of account either. But I have seen a list of the transactions on Mr O's account, which shows what he spent on his credit card, along with the repayments he made.

Looking at those transactions, it seems most likely to me that Mr O did owe HFC something on his credit card, and that the outstanding balance is most likely greater than HFC's offer of £8,238.94. I understand Mr O is currently paying £30 a month to reduce that balance as part of a payment plan.

It might help if I explain that the cost of the PPI, including the premiums and associated interest, was added to Mr O's credit card balance. That means these PPI costs increased what Mr O owed on his credit card. As the outstanding balance on that credit card is more than the compensation (or what Mr O was charged in total for the PPI), that means he didn't actually pay anything for the PPI.

Putting all of this together then, HFC owes Mr O some money in the form of PPI compensation. But Mr O owes HFC more money because of the outstanding balance on his credit card account. I've explained that Mr O didn't actually pay anything for PPI. So I don't think it would be fair for me to tell HFC to pay the compensation directly to Mr O if he hadn't actually paid anything for the PPI.

I am sorry to disappoint Mr O, but for the reasons set out above, I haven't upheld his complaint.

My final decision

I don't uphold this complaint about HFC Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 30 March 2022.

Nicola Bowes
Ombudsman