

complaint

Mr H's complaint is that The Royal Bank of Scotland Plc ("RBS") mis-sold him payment protection insurance ("PPI") with a series of two loans.

background

RBS upheld Mr H's complaint and made him an offer which was worked out following the same way we would tell RBS to put things right. Mr H is unhappy at RBS wanting to pay some of the compensation to reduce arrears on his last loan. He wants RBS to pay him all of the compensation.

Mr H couldn't keep up with his loan payments on the second loan and he last made a payment in early 2008. RBS says he still owed around £7,000 when he last made a payment. Mr H considers the debt *statute barred*.

Initially RBS said it wouldn't pay Mr H any compensation directly and would instead use the compensation to pay back the arrears. But RBS has now offered to pay Mr H compensation directly for the first loan. For the second loan it says it will not pay any compensation, due for the additional payments Mr H paid for PPI, directly to him. Instead it will use all of the compensation to pay towards his arrears on this loan. Mr H doesn't agree with this and thinks he should be paid all of the compensation.

One of our investigators looked at RBS's offer and thought it was fair. But Mr H disagrees, so the complaint has been passed to me to review.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

RBS has upheld Mr H's complaint. So I don't need to look into how the policies were sold, but I do need to consider whether RBS's offer is fair.

I think the offer is fair and I'd like to explain why.

We expect a business who mis-sold PPI with loans to put matters right by putting the consumer in the position they would be in now if they'd taken out the loan without PPI.

Mr H borrowed extra to pay for the PPI, so his loans were bigger than they should've been. He would've been paying more than he should've done each month. To put Mr H in the position he would be in now if he'd taken out the loans without PPI, he should get back the extra he's paid. And only have to pay back what would be left on the loans if he'd taken them without PPI.

As Mr H has confirmed he's happy to accept the offer on the first loan I haven't considered this further. So my findings will concentrate on the offer made for the second loan.

RBS worked out the extra Mr H paid on his second loan because of the PPI. It also included simple interest at a rate of 8% a year for the time Mr H couldn't use the extra money he had to pay on his loans because of the PPI.

RBS also worked out that Mr H still needed to pay an amount for the PPI on his final loan. It offered to remove this amount from what Mr H owes. Mr H says he doesn't need to repay this debt because he considers the debt *statute barred* and RBS should pay him the money instead.

Whether or not the debt is statute barred is not something I'll consider in detail in this decision about the sale of insurance. But if Mr H is correct in considering the debt statute barred it means RBS can't continue to seek its repayment. And it would be considered extinguished under Scottish Law. But RBS has said it's not looking to recover or chase the debt. And I've not seen anything to say that this is what it's doing in making an offer for the mis-sale of PPI.

I've looked at whether it is fair for RBS to use the extra Mr H paid each month to reduce the arrears that were left on his second loan when he stopped paying for it. From what I've seen, this loan was taken out in January 2007 and Mr H made payments for around one year of the four year term. While Mr H did make some additional payments because PPI was added to the loan, he also missed significantly more of his contractual repayments when he stopped paying for loan. So I think it's fair to assume Mr H would've still owed RBS something even if he hadn't taken PPI – just he'd have a smaller debt and, at the end, RBS wouldn't have been able to chase this smaller debt. This is the position RBS has put Mr H in, so I think what it's done is fair.

From what I've seen, I don't think Mr H's financial position means RBS should do something different. So I won't tell RBS to pay all the compensation for the mis-sold PPI on his second loan directly to Mr H.

my final decision

I don't uphold Mr H's complaint and I make no award over and above what The Royal Bank of Scotland Plc has already offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 2 March 2017.

Daniel Little
ombudsman