

complaint

Mrs D's complaint is about the way The Royal Bank of Scotland Plc (RBS) used the money it offered her as compensation for the sale of a payment protection insurance (PPI) policy.

background

In 2014 RBS upheld Mrs D's complaint that it mis-sold a PPI policy with her loan in 1996. RBS offered £793.14 compensation. Mrs D accepted this. But she was unhappy when RBS kept the compensation because it said she owed them money.

In 2007 Mrs D was granted a Protected Trust Deed (PTD). RBS was listed as a creditor. At that time RBS submitted a claim for £19,931.14. This was the amount of debt Mrs D had with RBS across her current account (ending *5964) and loan account (*7705). Mrs D was successfully discharged from the PTD in 2010. RBS received £4,171.76.

Mrs D wants the PPI compensation to be paid directly to her. She says the loan that PPI was sold with was paid off in full. RBS says it was fair to keep the compensation because, following the PTD, Mrs D still owed them more than that.

Our adjudicator thought what RBS had done was fair. Mrs D disagreed so the complaint has been passed to me for a final decision.

my findings

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

As RBS has agreed that PPI was mis-sold to Mrs D, I don't need to look at how the policy was sold. I've looked at whether the way RBS used the compensation money it offered Mrs D in 2014 was fair.

I think it was fair for RBS to use the compensation to reduce Mrs D's outstanding debt with them instead of paying it directly to her. And I think this even though I haven't seen anything which suggests Mrs D didn't pay off her 1996 loan in full. I'd like to explain why.

If a consumer enters into formal insolvency arrangements, as Mrs D did here, all their outstanding debts are added up to work out what they owed and all the money they have is added up to work out what they can afford to pay. A business then gets part of what it's owed and can't chase a consumer for what's left.

If Mrs D hadn't taken PPI with her loan in 1996 she would've paid less for it. She might have used this money to save more or borrow less. So although I think Mrs D still would've entered into the insolvency arrangement if PPI hadn't been sold to her, she probably would've entered it with a smaller debt. And, at the end of the PTD, RBS wouldn't have been able to chase this smaller debt. This is the position RBS has put Mrs D in, so I think Mrs D has been put in the position she'd have been in now if RBS hadn't sold her the policy. So I think what RBS has done is fair.

When Mrs D was discharged from her PTD in 2010 her outstanding debt with RBS was £15,759.38. And this debt was greater than the compensation Mrs D was entitled to for the mis-sale of PPI (£793.14). If Mrs D had been paid compensation before she entered her

PTD or, if she hadn't been sold PPI, and saved up the premiums this would've been used to reduce all of her debts – including what she owed to RBS. So, in Mrs D's case, I think it was reasonable for RBS to use all of the PPI compensation to reduce the money she still owed them in 2014.

I've taken into account all of Mrs D's comments, including what she's said about being paid some other PPI compensation directly. But these points don't change my conclusion.

my final decision

For the reasons I've explained, I don't uphold Mrs D's complaint against The Royal Bank of Scotland Plc.

As the compensation for the mis-sale of PPI has already been offset against Mrs D's outstanding debt with The Royal Bank of Scotland Plc, I don't think the business needs to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 25 February 2016.

Helen Liburd
ombudsman