

complaint

Ms N is unhappy that The Royal Bank of Scotland Plc (RBS) has used her PPI refund to reduce her credit card balance instead of allowing her to use it to pay her other creditors.

background

In 2015, RBS upheld Ms N's complaint about mis-sold PPI. It offered her around £2,150 compensation to put her back in the position she would've been in if the PPI hadn't been sold with her credit card.

RBS used the compensation to reduce arrears on Ms N's credit card. Ms N isn't happy about this because she'd like the money to be shared equally amongst all of her creditors.

I issued my provisional decision in January 2016. In my provisional decision, I thought about what might be fair and reasonable in the individual circumstances of Ms N's complaint.

I acknowledged that the regulator's guidance says that PPI compensation can be used to reduce an outstanding balance if the PPI refund and debt relate to the same account. But I was also mindful that there are some situations where a consumer can face serious consequences for not repaying a priority debt.

Ms N told us that she'd got some debts that weren't included in her repayment plan. I didn't have up to date details about those particular debts. So I didn't know if Ms N had made other arrangements to repay them or if those creditors were taking any further action that could cause Ms N to lose her home or put her at genuine risk of imprisonment.

I said that if Ms N could provide me further substantive evidence to persuade me that these debts were not being met by an arrangement - and that the consequences of not being able to pay these debts was so serious that they should take priority over the debt with RBS - I could consider directing the payment to Ms N.

But I pointed out that if there was nothing to show that any priority debt needed to be met urgently, it wasn't unreasonable for RBS to use the PPI refund against the debt Ms N owes on her RBS credit card.

RBS responded to say that it maintains the right to offset the compensation against the outstanding debt on Ms N's credit card.

Ms N confirmed that she'd received my provisional decision but she didn't add anything or provide me with anything more to look at.

my findings

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

I've previously recognised that RBS has a contractual right to use Ms N's PPI compensation against her outstanding credit card balance. But I don't just look at the regulator's guidance when I'm making my decision. I have to decide what is fair and reasonable in the individual circumstances of Ms N's complaint- taking into account the law, good industry practice and all of the wider financial circumstances.

Ms N hasn't provided me with any more information about her situation. So I've not seen anything that persuades me that she's facing a more pressing debt.

As a result, I don't think it's unreasonable for RBS to use her PPI refund to reduce the outstanding debt on her credit card account.

my final decision

For the reasons I've explained, my final decision is that The Royal Bank of Scotland Plc can use Ms N's PPI refund to reduce the outstanding debt on her credit card account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 18 March 2016.

Claire Marsh
ombudsman