

## **complaint**

Mr M is complaining that Canada Square Operations Limited (CSO) mis-sold him a payment protection insurance (PPI) policy. He's unhappy with the amount it's offered him in compensation and with the way it's handled his complaint.

## **background**

Mr M took out a PPI policy alongside an Egg loan through CSO in 2004. The cost of the policy was added to the loan, so attracted interest.

In 2010 he complained to CSO that it had mis-sold him the PPI policy. CSO didn't agree it had, but to resolve the complaint it offered to refund everything he'd paid for the policy (including interest) – £1,572.21. But it said Mr M still had an outstanding debt on the loan. So it used the refund offered to reduce the debt.

In 2012, CSO reviewed the offer again and it thought it had refunded more than it should've done. So it wrote to Mr M to explain this. But it said it wouldn't seek to take back what it had overpaid. In 2014, Mr M contacted CSO to find out what was happening with his complaint. CSO said that it wrote to Mr M in 2012 saying that it didn't owe him any more compensation. Mr M said that he didn't receive this letter as he'd moved house shortly before then. And he said that he'd told CSO of his new address. So he was unhappy that CSO wrote to the wrong address.

CSO then reviewed what it had paid in compensation and it said it had made an error in 2012. And it said it actually owed him a further £327.66 (after tax) in compensation, in addition to the £1,572.21 it had already used to reduce the outstanding debt on the loan. But it said that Mr M still owed it money on the loan, so it said it would use the compensation to reduce this debt.

Our adjudicator thought that the way CSO had compensated Mr M for mis-selling PPI was fair. But he thought it could've handled the complaint better and he recommended that it pay a further £100 in compensation.

CSO accepted the adjudicator's opinion. But Mr M didn't think £100 was enough compensation, given how long the complaint had taken. So he asked for an ombudsman to review the complaint.

## **my findings**

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

CSO has offered to fully compensate Mr M in line with how this Service recommends that it does where it mis-sold a PPI policy. Given this, I haven't looked at whether the policy was mis-sold to Mr M. In this decision, I've looked at whether I think CSO's compensation offer is fair. I think it is and I'd like to explain why.

*is the amount CSO has offered Mr M in compensation for mis-selling PPI fair?*

In a situation like this, I'd expect CSO to put Mr M in the position he'd be in if he hadn't taken out PPI. To do this, CSO needed to refund the extra Mr M paid because PPI was added to

his loan, and the interest he was charged on the PPI premium added to his loan. CSO then needed to pay 8% simple interest per year for the time he was out of pocket.

I can see that CSO has refunded the total amount it charged Mr M for PPI (including interest) less what was refunded when the PPI policy was cancelled in 2006. And it's used this refund to reduce what he still owes on the loan. This is called the right of set off. It has also offered to pay 8% simple interest per year for the time he's been out of pocket. So I think CSO has looked to compensate Mr M in the way I'd expect it to.

*can CSO use the compensation to reduce what Mr M owes on the debt?*

As I said above, to compensate Mr M for mis-selling PPI, CSO needs to put him in the position he would've been had he not taken out PPI. Had he not taken out PPI, he wouldn't have owed CSO as much money when he defaulted on the loan. So reducing the outstanding debt does put Mr M back in the position he would've been in had he not taken out PPI. And, while CSO owed Mr M compensation, Mr M owed it more. It seems fair to me that CSO just offset one against the other.

Also, Mr M owed CSO £6,508.52 when he defaulted on the loan. And I think part of this is the PPI premiums that CSO has agreed to refund. Given that he only repaid a small portion of the debt, I don't think he's actually paid for all of the premiums that CSO charged. So I think it would be unfair to ask CSO to refund something he never actually paid for.

However, while CSO has offered to do so, it hasn't paid Mr M 8% simple interest yet. It says it will do so when Mr M accepts the offer, but it wants to use its right of set off to reduce the outstanding debt further. As I said above, I would usually think this is fair. But CSO has since sold the debt to a third party. As it doesn't own the debt anymore, if it wants to use its right of set off, it will need to buy the debt back from the third party before it does so. But if it doesn't do so, it will need to pay the additional compensation to Mr M directly.

If CSO does buy the debt back and uses its right of set off, it should give Mr M evidence it has done so if he asks for it.

*trouble and upset*

Mr M is unhappy that it's taken six years to resolve his complaint. But I think that is largely down to the fact that he didn't respond to CSO. Mr M first complained to CSO that it had mis-sold him PPI in 2010 and it wrote to him explaining its offer. And it explained that he could contact this Service if he was unhappy, but he didn't do so. It appears that Mr M didn't contact CSO again for at least two years.

I accept that CSO sent its letter in 2012 to the wrong address. But Mr M didn't contact it for a further two years after then. I don't think I can hold CSO completely responsible for the delay in this respect. I think CSO could've handled the complaint better, but I think the majority of the delays were caused by Mr M not following up on his letters. CSO has agreed to pay Mr M £100 in compensation. And I think that's fair.

**my final decision**

For the reasons I've set out above, I think the amount Canada Square Operations Limited has offered in compensation for mis-selling PPI and the trouble and upset caused is fair. If it hasn't already paid it, Canada Square Operations Limited should pay the £100 it's offered for the trouble and upset it caused to Mr M directly.

Canada Square Operations Limited should also update the 8% simple interest it owes Mr M. It may use its right of set off to reduce what he owes on the debt if it buys the debt back from the third party. But if it doesn't do so, it should pay this to Mr M directly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 November 2016.

Guy Mitchell  
**ombudsman**