

complaint

Mr C has complained that Home Retail Group Insurance Services Limited (Home Retail) mis-sold him a payment protection insurance (PPI) policy.

background

Mr C took out a store card with Home Retail (trading as Argos) in 2008. The PPI policy started shortly afterwards.

Home retail wrote to Mr C in late 2015 to let him know he had been sold PPI and if he wanted the sale investigated he should return a questionnaire. Mr C did this and was then sent a letter in November 2015 telling him his policy had been mis-sold.

Home Retail offered to refund the premium and interest Mr C had been charged for the policy and an amount at 8% simple interest per year for any time that he paid more than he needed to because of PPI. The offer came to £303.77. But as Mr C had arrears on his account of £418.67, Home Retail said it would be using his offer to reduce these.

Mr C doesn't agree this is fair. He has told Home Retail and this service that he entered into a Debt Relief Order (DRO) in 2014 and was told that all of his debts would be 'written off' after June 2015. For this reason he disagrees that he owes Home Retail the £418.67 and wants his offer to be paid to him directly.

The adjudicator thought Home Retail had acted fairly in using the offer to reduce Mr C's arrears. Mr C disagreed with the adjudicator's opinion so the case has been passed to me for 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 Home Retail has offered to settle Mr C's mis-sale complaint I'm not going to look at how it sold him the policy. Instead I'm going to look at whether or not the offer is fair.

Normally if we find that PPI had been mis-sold alongside a store card we tell the business to refund the PPI premiums and interest charged on those premiums. If it finds the consumer paid more than they needed to because of the PPI, it would also need to pay 8% simple interest per year on the extra they paid for the time the consumer has been out of pocket. This puts the consumer into the position they'd be in if they'd taken the card without PPI. Looking at the way Home Retail has worked out Mr C's offer I can see it has followed this approach. So I'm satisfied its offer is fair.

Mr C has told us he's unhappy his offer has been used to reduce his arrears. He believes that his debt with Home Retail was removed after his DRO finished. And for this reason would like the PPI compensation to be paid to him directly. I've carefully considered all of the points Mr C has raised. But I think Home Retail has acted fairly in using his PPI compensation to reduce the outstanding debt it has against Mr C's name.

The DRO did stop Home Retail from being able to chase Mr C for the debt during the 12 months it was in force. And after it ended, the debt with Home Retail was 'written off' and this

means Home Retail is unable to make Mr C pay this money back. But this doesn't mean the debt no longer exists. Mr C borrowed money from Home Retail that he didn't pay back. So Home Retail has suffered a loss and this will remain as an outstanding debt against Mr C's account unless it is repaid. While Home Retail can't force Mr C to pay this money back, it is allowed to reduce its losses where possible. In this case it has used the money it owed Mr C for PPI compensation to do this.

Mr C has questioned the benefits of entering the DRO if it didn't completely remove his debts. I can understand Mr C's frustration but I need to look at what is fair in the circumstances. Mr C owes a debt and part of this debt is made up of PPI premiums and interest that were charged to the store card account and not paid. So as Mr C owes Home Retail more money than it owes him in PPI compensation, it wouldn't be fair for me to ask it to pay Mr C the compensation directly.

Mr C doesn't think Home Retail should've asked him to claim back his PPI premiums if it was then going to use these to settle a debt rather than pay him directly. I can understand why this has made Mr C unhappy. But it would seem Mr C was contacted as part of a bulk mailing process. At that stage it's unlikely that Home Retail would've looked into Mr C's accounts to know whether or not he had any outstanding debts with it. So I don't think it purposely tried to complicate matters for Mr C. So I don't think Home Retail has done anything wrong here.

my final decision

For the reasons set out above, I think Home Retail Group Insurance Services Limited has acted fairly in the circumstances so it doesn't need to do anything else to settle this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 6 June 2016.

Lucy Wilson
ombudsman