

complaint

Mr R is unhappy that National Westminster Bank Plc (NatWest) has paid the refund from his mis-sold payment protection insurance (PPI) to the outstanding debt on his credit card account, rather than to him directly.

background

Mr R complained to NatWest that he had been mis-sold PPI on his credit card. NatWest didn't agree, so he brought his complaint to our service.

Our adjudicator upheld his complaint. Following this NatWest agreed to make Mr R an offer.

After a few months Mr R's representatives chased payment. NatWest said it had paid the refund into Mr R's credit card account. His representatives said this account was closed as Mr R had previously entered into an individual voluntary arrangement (IVA) and the credit card had formed part of this. NatWest confirmed this was the case, but the refund had been used to clear some of the debt Mr R had on the card when he entered the IVA.

Mr R's representatives provided a letter from Mr R's IVA practitioner saying they had no interest in the refund. Because of this the representative felt Mr R should receive the money directly; it shouldn't go towards his credit card debt. Our adjudicator said it was fair for NatWest to use the money towards the debt. Mr R disagreed with this, so the complaint has been passed to me to issue 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.

NatWest agreed it mis-sold PPI to Mr R, so I don't need to look at how the policy was sold. I need to consider whether compensation should've been paid to Mr R directly or against the credit card debt.

I think NatWest acted fairly in paying the money to the credit card debt and I'd like to explain why.

When someone enters into an IVA, they stop being pursued for their outstanding debts. This doesn't mean that the debts are wiped or that they have been paid in full – as the consumer can't pay them. But it does mean they will no longer be chased for the money.

Our approach when PPI is mis-sold is for the business to put the consumer into the position they'd be in now if they'd taken out their credit card without PPI. This means refunding all the PPI premiums they paid and the interest charged on these premiums. If Mr R hadn't taken out PPI he would've owed less on his credit card each month. This means his monthly repayments would've also been less and so he potentially would've had more money in his bank account. So NatWest has also paid Mr R 8% simple interest in addition to the premium and interest refund, to compensate him for any time he was out of pocket.

I can see Mr R's IVA practitioner has confirmed they have no interest in the refund. But this doesn't change the fact that Mr R never cleared his credit card debt with NatWest, part of which was due to PPI. So I don't think it's fair that Mr R receives the PPI refund directly. In

my view this would mean Mr R would benefit twice from the money, as he both gets the refund paid to him and, because of his IVA, doesn't pay NatWest the money he owes them because of PPI.

Our role in resolving disputes is to look at the position of both parties and make a decision based on all the evidence we've seen. In making our decision we consider the relevant law, practice and procedures and make a decision based upon what we believe is fair and reasonable in all of the circumstances.

Based on my review, I think NatWest acted fairly in applying the compensation to the debt and is in line with the approach we would expect it to take.

I've also looked at whether Mr R is due further compensation, for example if the way NatWest handled the complaint led to distress, inconvenience or other issues which were not just financial. It's not our role to punish a business and I've carefully thought about this. But I don't think that Mr R experienced any trouble and upset directly from the way NatWest handled his complaint. So I won't be making a further award for this.

my final decision

For these reasons, I think NatWest acted fairly in paying Mr R's refund towards the credit card debt.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 December 2015.

Amy Osborne
ombudsman