

complaint

Mr W has complained about the way Canada Square Operations Limited ("Canada Square") has used the compensation it offered to settle a complaint about mis-sold payment protection insurance ("PPI").

background

Mr W took out two loans with Canada Square. With each loan he took out a PPI policy. The premium for each policy was added to the amount of Mr W's loans, so he paid interest on the premiums charged.

In November 2006 Mr W stopped making payments to his second loan and Canada Square froze the account. In October 2009 Canada Square sold the debt that remained outstanding of £10,334.94 to a third party.

In 2019 Mr W complained to Canada Square that he was mis-sold PPI and it upheld his complaint. It calculated the compensation due for both policies was £6,181.23 (before tax). Canada Square sent Mr W a cheque for £3,644.55 (after tax) but said it would pay £2,117.42 to the third party that owned the debt. It said it needed to do this because there was still an element of PPI left in the debt that was sold and the third party had confirmed the debt remained unpaid.

Mr W hasn't said that the figures Canada Square worked out are wrong but he thinks the debt to the third party should be statute barred and he should be paid the full compensation directly.

One of our adjudicators looked at the complaint and thought that the way Mr W had been paid was fair. Mr W 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 Canada Square agreed PPI had been mis-sold to Mr W, I don't need to look into the sale. What I do need to consider is whether what Canada Square has done with the compensation is fair.

When we think a business has mis-sold PPI we normally tell it to put the consumer as far as possible in the position they'd be in now if they hadn't been sold PPI. We say a business should pay back to the consumer what they paid for PPI (the premium cost and extra interest paid), plus a further 8% per year simple interest on everything the consumer paid from when they paid it until they get it back.

Mr W took out his first loan with PPI in October 2003 and the second loan and PPI policy in September 2004. The second loan refinanced the first loan. The premium for each policy was added to the amounts Mr W borrowed, so he paid interest on the premiums charged whilst making his repayments. .

In November 2006 Mr W stopped making payments to his second loan and a default notice was issued in January 2007. In March 2007 Mr W contacted Canada Square and said he

had relocated and could not receive post. Canada Square suspended the account, meaning the interest being charged was frozen so the debt owing no longer increased. Also the PPI was cancelled and a partial rebate of the PPI premium was removed from the unpaid balance. In October 2009 Canada Square sold the outstanding debt of £10,334.94 to a third party. But as with loan one some of the PPI still remained in the outstanding balance.

Mr W borrowed more for his loan because he took out a PPI policy. But when he fell behind on his repayments, he stopped paying back the money he borrowed for the PPI policy as well as his loan. And he also didn't pay back the monthly interest he was being charged on the PPI, up until the interest was frozen. So when the debt was sold to the third party, some of this debt was made up of the upfront cost he was charged for his PPI policy and PPI interest he didn't pay back.

The £2,117.42 that Canada Square paid to the third party was the cost of PPI that remained part of the loan debt when it was sold on in October 2009. So that's money Mr W borrowed for PPI, but never paid back. So I think it's fair for Canada Square to use the compensation in this way, otherwise Mr W would be getting a refund for the cost of PPI that he didn't actually pay.

Mr W hasn't disputed he defaulted on payment to the loan or provided any evidence to show he ever repaid the debt in full after it was sold to the third party. Mr W says the debt that was sold to the third party is statute barred as it is more than six years since any acknowledgement at all was made about the debt. So he thinks the PPI compensation should not be paid to reduce that debt with the third party.

It may well be the case that the third party can no longer legally chase Mr W for the debt. But the debt still remains unpaid and as part of it was for the PPI costs it would not be fair to pay Mr W the cost of the PPI that remains in the debt as he never paid it. So the right thing to do is adjust the debt that was unpaid by the amount that was for PPI, leaving the debt only the amount being what Mr W borrowed for his own use and didn't repay.

I've also thought about the position Mr W was likely to have been in if he'd taken his loan without PPI. When he fell into arrears and his debt was sold on in 2009 he owed £10,334.94, £2,117.42 of this was due to PPI. So, around £8,000 remained of the loan debt, after the PPI was fully removed. As Mr W still had a large amount unpaid that he'd borrowed for his own use, it's likely he'd have still fallen into arrears if he'd never bought the PPI. So his debt would have still been sold on, but it would have been for a lower amount. This is the position Canada Square has put Mr W in now by reducing the debt he never paid to the amount without PPI and I think that's fair.

Taking all of this into account, I think Canada Square has worked out the amount of compensation in the way I'd expect it to. And Mr W isn't saying the amount is wrong – he's saying he should've been paid all of the compensation. I don't agree as I think adjusting Mr W's debt to what it would have been without the PPI is the fair approach. The remainder of the PPI compensation has been paid to Mr W directly, which is also fair.

my final decision

For the reasons I have set out I think what Canada Square Operations Limited has calculated as compensation for the mis-sold PPI policies, and how it has paid that compensation is fair. So I am not telling it to do anything different.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 April 2020.

Christine Fraser
ombudsman