

complaint

Ms H's complaint is about the payment of compensation by The Royal Bank of Scotland Plc ("RBS") for the sale of a payment protection insurance ("PPI") policy.

background

Ms H complained about a PPI policy she was sold with her credit card in 2003. In May 2014, RBS offered to pay compensation of £2,007.50 to Ms H. It said it would use this amount to reduce the outstanding debt on Ms H's credit card.

Ms H isn't complaining about the amount RBS has offered. But she's unhappy RBS is using it to reduce what she owes on her credit card. She says she's in debt to her energy supplier, and that's a higher priority than her credit card arrears. Ms H is also unhappy at how RBS has dealt with her complaint.

The background to this complaint and my initial conclusions are set out in my provisional decision of 5 November 2015. In that decision, I explained I was planning not to uphold Ms H's complaint for the following reasons:

- The ombudsman service would usually think it's reasonable for a bank to use PPI compensation to reduce someone's arrears on the same credit card. That's what RBS wants to do in this case.
- But sometimes we say the compensation should be paid directly to the consumer. This might be where someone has other debts that are more serious or pose a greater threat to them.
- Ms H had provided evidence that she'd been in debt to her energy supplier for some time. In 2014 the supplier wrote to Ms H to say that, if she didn't agree an affordable repayment plan, they would visit her to collect the debt or fit a prepayment meter. They also said that, if Ms H's meter was inside her house and she didn't let them install a prepayment meter, they could enter her home and disconnect her or install a meter.
- In July 2015, the supplier wrote to Ms H again. They said Ms H's latest payment was overdue and her payment plan had been cancelled. The letter suggested other ways Ms H could pay, including by fitting a prepayment meter.
- RBS said Ms H's energy bill wasn't a higher priority than her credit card. It said Ms H was being given options for managing her energy account that would prevent it getting to the point where she's disconnected.
- Based on the evidence I'd seen, I didn't think Ms H's energy bill was a more serious debt than her credit card. Ms H's energy supplier had given her options for managing her account, including a prepayment meter. Their latest letter didn't mention disconnection. So I thought it was reasonable for RBS to use Ms H's PPI compensation to reduce her credit card arrears.
- I also looked at how RBS had dealt with Ms H's complaint. And I didn't think it should pay any more compensation to Ms H.

I invited both parties to let me have any further information by 7 December 2015. RBS hasn't given me any more information.

Ms H has said she doesn't agree with my provisional decision. I'll discuss what she's said below.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Ms H's case.

Ms H has said that, in 2011, she was given no option but to increase her monthly payments towards her credit card debt. She says this caused her to fall into arrears with other bills. Ms H complained separately to RBS about this, and RBS replied to her in December 2014. Ms H has said she'd like the ombudsman service to look into this, and so we've asked her for more information about it.

But, in this decision, I'm looking at whether RBS acted fairly in using Ms H's PPI compensation to reduce the debt on her credit card. If Ms H's monthly repayments from 2011 had been lower – as she says they should have been – then her credit card debt would have remained at a higher level. And RBS would still have wanted to use Ms H's PPI compensation to reduce that debt. So Ms H's concerns about the changes to her monthly payments in 2011 don't affect my conclusions on this complaint.

Ms H has also said her energy supplier knows about her PPI complaint. She says the supplier hasn't been as "aggressive" in asking for payment of her debt because of the possibility that Ms H might be able to use her PPI compensation to pay it.

I've thought about this point. But I need to make a decision on the basis of the evidence that's available. And, based on what I've seen, I don't think Ms H's energy bill is a more serious debt than her credit card. So I think it's reasonable for RBS to use Ms H's PPI compensation to reduce her credit card arrears.

Ms H has sent me more information about how RBS handled her initial complaint about PPI. She's unhappy with how RBS dealt with her complaint and the time it took. She also says RBS rejected her complaint, but upheld it once she brought it to the ombudsman.

I've looked at the information Ms H has sent me. I can see that the complaint process has caused Ms H some inconvenience, particularly given her financial position. But overall I don't think any further award against RBS is justified.

Having looked at all the evidence in this case, I've decided not to change my provisional decision. The compensation RBS has paid puts Ms H back in the position she'd have been in if PPI hadn't been sold to her. And I think it's reasonable for RBS to use the compensation to reduce her credit card debt.

my final decision

For the reasons given, my final decision is that The Royal Bank of Scotland Plc has acted fairly in paying compensation to Ms H. And I don't think any further award should be made to Ms H.

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

Matthew Young
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