

complaint

Ms R complains that when Santander UK Plc applied her Payment Protection Insurance (PPI) compensation payment to her outstanding loan account, it didn't write off the remaining balance of the debt as it had promised.

background

Ms R was a customer of Santander and had taken out a few loans with it, the last being in 2008. In September 2011, Santander offered to pay Ms R compensation of just under £3,500 for the mis-sale of PPI in relation to these loans.

The offer was made on the basis the bank would use the compensation payment to reduce the outstanding arrears that had built up on Ms R's loan account. As the PPI compensation was for less than Ms R owed to the bank, Santander later instructed a debt collection company to pursue payment of the outstanding balance. Ms R was unhappy as she thought the remaining debt had been written off.

Santander didn't agree that it had offered to write off the debt. But Santander did offer to pay £50 compensation for any confusion one of its letters may have caused Ms R.

The adjudicator didn't recommend upholding the complaint as he didn't consider that Santander had agreed to write off the debt.

Ms R disagrees with the adjudicator's recommendation as she still thinks Santander agreed to write off the balance of the debt. Ms R wants Santander to pay compensation for the stress she has suffered as a result of being chased for money she doesn't believe she owes.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I appreciate that it will come as a disappointment to Ms R but I broadly agree with the adjudicator's conclusions.

I have seen a copy of Santander's offer of compensation that it sent to Ms R in September 2011. The offer says that the compensation will be used to reduce the outstanding arrears on Ms R's loan account before the balance of the compensation, if any, is paid to her. Ms R had to return a form to accept the offer. I assume that she did this. So I think that Santander made Ms R aware that the compensation payment would be applied to her loan account to reduce the arrears. The letter does not mention Santander writing off any of the debt once the compensation payment has been applied. So, on the evidence before, I am not persuaded that any agreement was reached in 2011 to write off the remaining balance of the loan.

Santander wrote to Ms R in June 2012 to tell her that a further, much smaller amount of compensation was being paid to her. Again, this amount was to be used to reduce the balance on her outstanding loan. The second page of Santander's letter says the following:

"We note that Loan Account...has been written off with an outstanding debt, as such all redress due to this account will be paid to our collections and recoveries department to reduce the outstanding debt"

Ms R says she understood this to mean that the balance of her debt had been written off. I can appreciate that the wording used is slightly confusing. But Santander's reference to "written off" is to an internal process when debts are transferred to the collections team. Santander makes this clearer by explaining that the compensation would be paid to the collections department to reduce Ms R's outstanding debt. This indicates that a debt remained due but that it was being dealt with by the collections team. So again, I don't find that Santander had agreed to write off the balance of the loan.

Santander has offered to pay Ms R £50 compensation to apologise for any confusion its letter of June 2012 may have caused. As I don't find that it has made any error, I can't reasonably require Santander to pay more than it has already offered.

Santander instructed a debt collection company to try and get payment of the outstanding balance on the loan account. I have seen a copy of one of the letters that the debt collection company sent to Ms R in March 2014. I appreciate that Ms R is unhappy that the letter came out of the blue after she thought the debt had been written off. But as I don't consider Santander ever agreed to a write off, I can't criticise the bank for instructing a debt collection company to seek payment of the balance. Particularly as the debt collection company told Ms R that Santander was willing to consider a reduced settlement on favourable terms.

Since bringing her original complaint to this service, Ms R has raised some further issues regarding earlier contact with Santander and an unsuccessful attempt to claim on her PPI. The adjudicator told her that she would need to raise these additional concerns with Santander. If she remains unhappy with its response, Ms R can of course make a further complaint to this service.

my final decision

My decision is that I don't uphold this complaint and I leave it with Ms R whether to accept the £50 offered in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms R to accept or reject my decision before 11 March 2015.

Gemma Bowen
ombudsman