

complaint

Miss C's complaint is about the mis-sale of two payment protection insurance (PPI) policies and the way The Co-operative Bank Plc has offered to put that right.

background

This complaint is about two PPI policies which Miss C bought in 2005 at the same time as taking out two loans. The loans both included an amount to pay for the policies.

In July 2013 Co-op offered to compensate Miss C for the sale of these policies. The amount of compensation was calculated based on the premiums and loan interest Miss C would've paid towards PPI if she'd kept up with her loan repayments. It also added more interest to compensate Miss C for any time she'd been out of pocket.

But Miss C hadn't kept up with all her loan repayments as she ran into financial difficulty after taking these loans out. So Co-op wanted to use at least part of this compensation to reduce her outstanding debts (that it had sold on to a third party).

Our adjudicator thought that wasn't fair because Co-op no longer owned Miss C's debt. So she said Co-op should pay all of the compensation directly to Miss C.

Co-op disagreed, saying it has a formal agreement with the third party it sold the debt on to. This agreement is to reduce the outstanding debt it sold to by the amounts Miss C hadn't actually paid for the policies by passing that directly to the third party.

Miss C has also suggested the debt collection agency (DCA) Co-op initially sold her debt from these two loans to no longer owns it. This is because she has received letters about the debt from a different company.

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 Co-op has agreed to uphold Miss C's mis-sale complaints, I haven't looked into how the two policies were sold.

I understand Miss C doesn't dispute how Co-op calculated either of its total offers in 2013. But I've reviewed the methods Co-op used anyway to calculate these and I think they're fair. I say this because Co-op has worked out compensation in the same way I'd expect it to if I'd found it had mis-sold PPI.

So the only issue left for me to consider is whether it's fair for Co-op to use part of Miss C's compensation to reduce her debt that has been sold on to a third party. I don't think it is and I'd like to explain why.

From what I've seen, I'm satisfied Co-op no longer owns Miss C's loan debt and has sold it on to a third party. This means the relationship between Miss C and Co-op has been broken. She no longer owes Co-op any money for these loans. Instead, she now owes and pays money to a third party for the debt.

I appreciate Co-op's comments that Miss C hasn't been deprived of the money it wants to pay directly to the DCA out of her compensation. (This is because she never paid those PPI premiums or the interest charged on them.) But I don't think it's Co-op's right or responsibility to pass that amount directly to the DCA in order to reduce Miss C's debt with them to the level it would've been at if Co-op hadn't sold her these PPI policies.

I've also taken into account Co-op's comments about its arrangement with the DCA to pay this money to them. But that doesn't change my decision to uphold Miss C's complaint.

So I think Co-op should recalculate its offers of compensation to bring them up to date and then pay *all* parts of the compensation directly to Miss C. It's then up to Miss C whether she wants to use this money to reduce her debt with the third party.

I've also looked at Miss C's suggestion that, in any event, has sold this debt on again to another company. But from the information I've seen, I don't think this is the case. October 2015 letter, which Miss C sent into us, said "*we're instructed by our client (who purchased your Co-operative Bank debt) ... to assist with the recovery for this account.*" I think it's likely that the first agency Co-op sold the debt on to still owns it and the second, who wrote to Miss C, just manages it.

my final decision

For the reasons I've explained, I uphold Miss C's complaint.

The Co-operative Bank Plc should recalculate its offers of compensation to bring them up to date and pay all of that money directly to Miss C.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 4 January 2016.

Helen Liburd
ombudsman