

complaint

Ms B's complaint is that Capital One (Europe) plc used compensation it owed her to reduce the balance outstanding on her credit card.

background

Ms B held a credit card with Capital One. At the time Ms B took out the credit card she was sold a payment protection insurance (PPI) policy.

In 2007 Ms B fell behind with her credit card repayments. The balance was passed to Capital One's collection department. My understanding is that Ms B has been paying a monthly amount via a third party to reduce the debt.

In December 2012 Capital one wrote to Ms B. The letter explained that Capital One was offering to pay compensation for undisclosed commission it received due to the PPI sale. Capital One said it was willing to refund Ms B a total of £1,605.64. However Capital One said it had used the compensation to reduce the outstanding debt on Ms B's credit card.

Ms B thought Capital One should've paid the compensation to her directly and asked this service to step in.

Our adjudicator thought it was fair that Capital One had used the compensation to reduce the outstanding debt on the credit card. Ms B didn't agree with the adjudicator's opinion so the complaint's been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I'm not upholding Ms B's complaint and I'll explain why.

The PPI premiums (including that part made up of commission) were added to Ms B's balance and attracted interest. But that doesn't mean that Ms B actually paid for the premiums. In fact if the PPI had never been added to the credit card then Ms B would still have had an outstanding debt on her account.

So in effect if Capital One paid Ms B the compensation direct she'd be receiving a refund plus interest of commission on premiums that she hadn't actually paid. And I don't think that'd be fair.

If Capital One hadn't received the level of commission it did from the PPI premiums, Ms B would still have an outstanding debt on her credit card account, just a smaller amount. And that's the position Capital One has now put her in. So I think what Capital One has done is fair and I'm not going to ask it to pay the compensation directly to Ms B.

my final decision

My final decision is that I don't uphold this complaint.

I think it's fair for Capital One (Europe) plc to use the compensation for undisclosed commission to reduce the outstanding debt on Ms B's credit card account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 19 August 2018.

Steve Thomas
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