

## **complaint**

Mr A's complaint is that Barclay's Bank Plc (Barclays) has used part of the redress from a mis-sold PPI policy to reduce the arrears on the loan associated with the PPI policy. Mr A says the total compensation for the mis-sold policy should be paid directly to him.

## **background**

In October 2007 Mr A applied for a loan from Barclays at the same time he was sold a single premium payment protection insurance (PPI) policy.

In April 2011 Mr A applied for and was granted a Debt Relief Order (DRO), Barclays was named on the DRO as one of the creditors.

In October 2012 Mr A complained to Barclays about the sale of the PPI policy. Barclays subsequently wrote to Mr A with its response to his complaint. In its letter Barclays stated that it was upholding Mr A's complaint about the sale of the policy. The letter set out how Barclays had calculated the redress due to Mr A. The letter went on to state that it would be using the refund of the PPI premium and associated interest paid by Mr A to reduce the outstanding arrears on the loan. The remaining £485.80 which comprised of the interest for the time Mr A had been "out of pocket" was sent to Mr A in the form of a cheque.

Mr A wrote to Barclays and said that as he had successfully completed the DRO Barclays should not have used any part of the redress to reduce the arrears. Barclays replied that the loan taken out in October 2007 did not form part of the DRO.

Unhappy with Barclays' response Mr A brought his complaint to this service. Mr A also provided evidence that he was experiencing severe financial hardship and had a number of other priority debts such as utility bills and council tax and was facing court action over these.

An adjudicator from this service contacted Barclays on several occasions by email between October 2013 and February 2014 to ask if it would be willing to pay Mr A directly in order to allow him to settle the priority debts. Disappointingly I note that the adjudicator did not receive a reply to these emails.

In February 2014 the adjudicator wrote to Barclays with his findings on Mr A's complaint. In his letter the adjudicator set out why he considered that Barclays should pay all the redress for the mis-sold policy directly to Mr A.

Barclays responded to the adjudicator's letter and said that although it agreed that the redress should be used to repay Mr A's priority debts in the first instance, it was Barclays' policy to pay these debts direct. Therefore Barclays suggested it would send Mr A cheques to cover each of the outstanding priority debts made payable to the various utility companies. Barclays would then use any remaining redress to reduce the arrears on Mr A's loan.

The adjudicator put Barclays' offer to Mr A who requested that an ombudsman consider his complaint.

The complaint was then passed to me to consider. In May 2014 I issued my provisional findings on Mr A's complaint. In my provisional decision I set out the reasons why I was minded to uphold Mr A's complaint and to order Barclays to pay the redress directly to Mr A together with an additional £150.00 for distress and inconvenience Mr A had experienced due to Barclays delay in settling the dispute.

I invited both parties to respond with any further comments or submissions within four weeks. Both parties have now confirmed they received my provisional findings.

Mr A has told us he has nothing further to add while Barclays has not submitted any further evidence or representations. Therefore I see no reason to depart from the findings I set out in my provisional decision.

### **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Barclays' has agreed to uphold Mr A's complaint about the mis-sale of the policy. Barclays has also agreed to pay Mr A compensation calculated in line with this service's approach to redress for mis-sold PPI policies. Therefore I will not address the issue of how the PPI policy came to be sold to Mr A. The remaining issue is whether Barclays should pay all the redress from the mis-sold policy directly to Mr A.

#### Mr A's Debt Relief Order (DRO)

Part of Mr A's complaint is that Barclays should not have used the redress to offset the arrears on his loan as it formed part of a DRO which he successfully completed.

I note that Mr A has submitted a copy of the DRO which lists Barclays as a creditor together with the amount of £5,000. However Mr A has not submitted any documentary evidence to show that the DRO relates *specifically* to the loan he took out in October 2007. Although Barclays has acknowledged the DRO it has said that the October 2007 loan did not form part of it. However I note Barclays has not provided any evidence of what other Barclays' debts the DRO may have related to.

Ultimately I have not found it necessary to make a finding on this point as it does not make a material difference to my decision.

#### Mr A's priority debts

I have considered all the evidence in this case and having done so I am minded to order Barclays to pay Mr A all the redress from the mis-sold PPI policy directly to him.

I say this because Mr A has supplied sufficient evidence to persuade me that he is experiencing severe financial hardship. For example Mr A has supplied this service with copies of a number of statements from utility companies detailing arrears and various action being considered to recover the arrears.

Because of this I do not consider it would be fair or reasonable for Barclays to use the redress to reduce Mr A's arrears on his loan.

Barclays' proposal to issue Mr A with cheques to pass on to his creditors

I have considered Barclays proposal carefully, in its response to the adjudicator's letter it told us:

*"Upon receipt of Mr A's acceptance and confirmation of the most recent arrears balance, we propose to make a cheque payable to each service considered a priority debt. Any remaining redress would then be used to reduce any arrears that remain payable to Barclays".*

In my view this is not a *practical* solution and I can foresee a number of potential problems with this approach. For example there is a real danger that the level of debt could change in the time between Mr A notifying Barclays of the balance, Barclays calculating the redress and issuing a cheque, and Mr A passing the cheque on to the relevant utility company.

An example of this can be seen from the statements sent in by Mr A. I note that for one utility company Mr A received a statement in early September 2013 and another only three weeks later showing the arrears had increased by nearly £40.00.

In addition there is the possibility of Barclays and Mr A disagreeing about what constitutes a priority debt thus complicating matters and causing further delays.

In any event I am persuaded that Mr A has demonstrated he has genuine priority debts and is suffering financial hardship. As such it seems to me fair and reasonable that Barclays should pay all the redress directly to Mr A in order to allow him to deal with these debts himself.

distress and inconvenience

In my view Barclays delay in settling this matter has caused Mr A additional distress and inconvenience sufficient for me to make an award to Mr A. I therefore order Barclays to pay Mr A an additional £150.00.

**my final decision**

For the reasons set out above I determine this complaint in favour of Mr A and require Barclays Bank Plc to pay the redress from the mis-sold PPI policy direct to Mr A in the form of a cheque.

Barclays Bank Plc should recalculate the redress to bring it up to date including interest up to the date of settlement and pay this direct to Mr A.

Barclays Bank Plc should deduct the sum of £485.80 from the total as I understand Mr A has already received this.

I order Barclays Bank Plc to pay Mr A a further £150.00 to compensate him for the additional distress and inconvenience he has experienced due to Barclays' delay in settling the complaint.

Steve Thomas  
**ombudsman**