

complaint

Miss G has complained about the way Shop Direct Finance Company Limited ("Shop Direct") has used the compensation it agreed to pay following a complaint about the mis-sale of a payment protection insurance ("PPI") policy.

background

Miss G had a catalogue shopping account with Shop Direct. She was sold several PPI policies to protect her repayments and these were on her account between October 1997 and December 2006 (although not for the whole period). Miss G wasn't able to keep up all of the payments due on her account and she fell into arrears.

Miss G complained that PPI had been mis-sold, but Shop Direct didn't agree, so she brought her complaint to this service. Shop Direct looked at the four policies again. It said that the first three policies weren't mis-sold, but it accepted that the fourth one was.

The first policy ran for one day, the second for one month and the third for about half a month. Miss G hasn't asked us to look into the sales of these policies again.

Shop Direct made Miss G an offer for the fourth policy. It offered her compensation of £1,019.89, but it said that this would be applied to her account as she was in arrears with her repayments.

Miss G didn't think this was fair. She said Shop Direct had agreed not to ask her to pay her debt and had written it off. And she said she'd bought things on behalf of her family and friends, so the debt wasn't hers.

One of our adjudicators looked at Shop Direct's offer and thought it was fair. But Miss G disagrees, so the complaint has been passed to me for a decision.

Since then Shop Direct looked at the compensation again and worked out that it should've been £806.60. But as it had already applied the higher amount against her debt it wasn't going to do anything differently.

my findings

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

Shop Direct made an offer about PPI and Miss G isn't saying that the amount offered is wrong. It seems to me that all I've got to decide is whether or not it's fair for Shop Direct to use the refund to reduce the arrears on Miss G's account.

We'd usually say a business can use a customer's compensation to reduce their arrears if the PPI policy was sold alongside the account in arrears. That happened in this case.

I think it's fair for Shop Direct to use the compensation in the way it's done and I'd like to explain why.

Miss G says she bought things for her family and friends so the debt isn't hers. She's pointed out that Shop Direct would've delivered items to different people at different addresses, so it

would've known this was the case. Miss G has also said her family and friends are prepared to pay back what they owe.

But the account was in Miss G's name. So I don't think it matters whether or not Shop Direct knew she was buying things for other people – she had to answer to Shop Direct for any payments. Miss G's family and friends might owe her money for things she bought, but that's a matter between themselves. I don't think it would be fair for Shop Direct to have to chase other people for payment it didn't have agreements with.

Miss G has said that Shop Direct agreed to write off her debt and not ask her to pay it back. But I don't think that meant it agreed to cancel the debt. It just agreed not to ask her to repay what was left. So the debt still exists.

If I think about the position Miss G would be if she hadn't been sold PPI, I think she'd still owe Shop Direct a smaller debt. That's the position she's been put in and I think that's fair.

my final decision

For the reasons set out above I think what Shop Direct Finance Company Limited has done is fair. I don't direct it does anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 20 June 2016.

Mark Hutchings
ombudsman