

complaint

Mr C is unhappy with how The Royal Bank of Scotland Plc (RBS) has used the compensation related to a complain he made that he was mis-sold a payment protection insurance policy (PPI) with a credit card.

background

Mr C took out a regular premium PPI policy on a credit card in 1999. Mr C said he was mis-sold this policy and RBS agreed and it made him an offer to settle his complaint.

RBS then used the money offered to set off against credit card arrears that Mr C owed to it.

Mr C wasn't happy that RBS used the money against arrears. He said the debt was statute barred and wanted it paid directly to him.

Our adjudicator didn't agree and thought that RBS did the right thing. Mr C wanted an ombudsman to review his complaint.

my findings

RBS agreed Mr C had been mis-sold PPI and it made him an offer. Mr C hasn't complained about the amount of the offer. He has complained that it was used to pay off arrears on his credit card account.

RBS has said that Mr C had a credit card where there are outstanding arrears. We asked RBS to provide information about this credit agreement and they provided a statement which showed that the last payment made to the account was in February 2010.

RBS provided more statement information from 2001-2016. This showed that no further payments were made against the accounts balance since 2010.

Mr C believes any debt should be statute barred because of the amount of time that has passed. I have listened carefully to this. Mr C is right that the debt is statute barred for recovery in court. That means that RBS would be unable to go to court to apply for an order to recover a debt. RBS also are prevented from actively pursuing the debt. But this doesn't mean that the debt has been wiped clean. The credit agreement is a contract between RBS and Mr C. Under that contract RBS has the right to set off monies related to the account against the debt. The debt still exists, just the methods for actively pursuing it through court or otherwise do not.

That means that RBS are able to set off the compensation for the PPI against the debt owed on the same account, provided it is fair for them to do so. The PPI was taken out with, Mr C's credit card account. So there is a direct association between the debt Mr C owes RBS and the compensation RBS owes to Mr C, so one can be fairly set off against the other.

I have seen Mr C's response to our adjudicator's opinion and reviewed his points. I acknowledge the case law and legislation he has referred to. But we are an independent body and whilst we take into account legislation and case law, we make our decisions based on what is fair and reasonable to both parties of the dispute.

RBS has a right to use the compensation against money owed to it. The money owed to RBS is still a contractual debt, just like any other debt he owed. The effect of paying the money against those debts means that now Mr C has reduced his debt with RBS.

In some situations we would say that arrears should be paid directly to a consumer. This is in situations where the consumer has other more pressing debts. Mr C hasn't told us that he had any pressing debt such a mortgage or rent arrears and so this does not apply in this case.

For these reasons I will not be telling RBS to pay the compensation directly to Mr C.

my final decision

For the reasons I have set out above, I think The Royal Bank of Scotland Plc has used the compensation due to Mr C fairly in setting it against the debt he owed to the business on the same credit card account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 July 2017.

Miranda Bates
ombudsman