

complaint

Mr U has complained about the way National Westminster Bank Plc (NatWest) compensated him for the mis-sale of a payment protection insurance (PPI) policy.

background

From 2004 to 2011, Mr U had a PPI policy on a credit card with NatWest. In 2016, he complained to them about the sale of the PPI. NatWest agreed it had been mis-sold, and offered him £662.16 as a refund of what he'd paid, plus compensatory interest. Mr U accepted that amount.

NatWest noted that Mr U still owed them £1,136.19 on the credit card. So they used the £662.16 to reduce that debt, rather than paying it directly to him.

Mr U wasn't happy with that. His representative said the debt was statute barred. So he came to our service.

Our adjudicator explained why it was fair for NatWest to set off their debt to Mr U against his debt to them. Mr U's representative disagreed, arguing that the agreement as a whole was an unfair relationship. So the complaint's been passed to me to make a 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.

Having done so, I don't uphold Mr U's complaint about NatWest using his compensation to reduce his credit card debt.

NatWest owed Mr U £662.16 for mis-selling him PPI on his credit card. But Mr U owed NatWest £1,136.19 on that same credit card. It seems both fair and practical for NatWest to use what they owe him to reduce what he owes them on the same credit card account.

I can see that when NatWest offered the £662.16, they said it was "*subject to clearance of any arrears*". And Mr U signed a declaration saying "*I understand that the offer will take into consideration any arrears on my credit card balance. The remaining balance, if any, will then be paid to me*".

Mr U's representative argued the debt was statute barred. First, it's worth pointing out that a payment was made in 2013, less than six years ago. But even if the debt were statute barred, that would only prevent NatWest from taking certain court action against Mr U. It wouldn't mean that the debt ceased to exist. And so it wouldn't stop NatWest from being able to set off their debt to him against his to them.

Mr U's representative also suggested that NatWest pay some of the redress directly to Mr U, and the rest to the credit card. But I see no reason to do that. Mr U owed NatWest more money than they owed him.

Mr U's representative has now argued that because NatWest mis-sold PPI, we should treat the whole credit card agreement as an unfair relationship. But only a court can decide whether the relationship is unfair. I cannot. If Mr U is thinking about making such an argument in court, then I would recommend he seeks legal advice first.

The representative has also argued that they consider the credit card to be in dispute, and so NatWest shouldn't chase Mr U for the debt. But NatWest didn't pursue Mr U for any debt in this context. It's Mr U who's been chasing NatWest for payment. All NatWest did was use their right of set off.

Further, I can't see that Mr U ever raised this argument with NatWest. He'd need to do that first, as a separate complaint, before we could look into any dispute about his agreement. And it's worth bearing in mind that if Mr U disputes how much he owes on his credit card, then it would also bring the amount of his PPI refund into question, as his PPI premiums were based on his balance. So even if the account were in dispute, it would make more sense to put the PPI refund on hold until the matter was sorted out, rather than paying it to Mr U directly. And after the dispute was sorted, it would still be fair to set off the PPI refund against any remaining balance.

Here, I'm only considering the matter of NatWest setting off Mr U's PPI refund against his outstanding debt. I'm not looking into an account dispute. With that in mind, I do appreciate why Mr U might've felt disappointed when the PPI refund was paid towards his debt, rather than to him directly. But it was fair for NatWest to do that.

my final decision

For the reasons I've explained, I don't uphold Mr U's complaint about National Westminster Bank Plc setting off his PPI compensation against the debt on the same account.

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

Adam Charles
ombudsman