

## **complaint**

National Westminster Bank Plc (NatWest) mis-sold a payment protection insurance (PPI) policy to Mrs M. Mrs M has complained about the way they compensated her.

## **background**

I sent my provisional decision on 12 January 2018, and I've attached a copy of it. It forms part of this final decision.

My provisional decision sets out the background of this complaint. It explains that I thought it was fair for NatWest to use their debt to Mrs M to reduce her debt to them. But I said I'd reconsider if Mrs M was behind on any priority debts, like her mortgage. And I said NatWest should pay her £50 compensation for mis-advising her about getting a letter from her debt management company.

NatWest agreed to pay Mrs M the £50 compensation if she accepts the decision.

Mrs M said she was at risk of falling behind on her bills as she was struggling. She said she wanted us to look at her income and expenditure.

## **my findings**

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

Mrs M asked if we could look at her income and outgoings. She'd previously pointed us to her debt management company. So we contacted the debt management company and looked at her income and expenditure. Like I said before, I can see Mrs M's in a really difficult financial situation. But it looks like she's keeping up with her main bills and still has a little left over to pay her non-priority debts, like this credit card. So I don't think NatWest need to pay her the PPI compensation directly.

If Mrs M is worried that she won't be able to pay her key bills in future, then it may be worth her getting back in touch with her debt management company and adjusting her budget. It's important that she can keep up with her life expenses, like the mortgage, food, utility bills and so on, and it may be possible to reduce what she's paying to her other debts.

As I said in the provisional decision, NatWest does owe Mrs M some PPI compensation for her credit card. But Mrs M owes NatWest money on the very same card. So it seems both fair and practical to take NatWest's debt to Mrs M, and use it to reduce Mrs M's debt to NatWest. By doing this, Mrs M's credit card debt will be much smaller, which should make her financial situation a bit easier.

So whilst I do appreciate why Mrs M would prefer to get the compensation herself, I think it's fair for NatWest to use it to reduce her credit card debt.

As before, I think NatWest should pay Mrs M £50 compensation as an apology for giving Mrs M the wrong advice about getting a letter.

**my final decision**

For the reasons I've explained, I think it's fair for National Westminster Bank Plc to use Mrs M's PPI compensation to make her credit card debt smaller.

I direct National Westminster Bank Plc to pay Mrs M £50 additional compensation directly, for the way they handled her case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 5 March 2018.

Adam Charles  
**ombudsman**

## **COPY OF PROVISIONAL DECISION**

### **complaint**

National Westminster Bank Plc (NatWest) mis-sold a payment protection insurance (PPI) policy to Mrs M. Mrs M has complained about the way they compensated her.

### **background**

Mrs M has a credit card with NatWest. Between 2003 and 2008, she had a PPI policy on that credit card.

Unfortunately, Mrs M later found herself in financial difficulties, and she wasn't able to make her credit card payments anymore. So she started a debt management plan. She pays NatWest what she can each month.

In 2017, Mrs M complained about how the PPI was sold. NatWest agreed they'd mis-sold it to her, so it needed to be refunded. The total refund was £2,098.12.

But Mrs M still owed around £3,900 on her credit card. So NatWest used the PPI refund to reduce her debt to around £1,800.

Mrs M was hoping to get the refund herself. She asked NatWest to pay it to her. She says NatWest told her to get permission from her debt management company. So she spoke to the debt management company, got a letter from them, and passed it to NatWest. But then NatWest still said they were using the money to reduce her credit card debt. They said they didn't tell her to go to the debt management company.

Mrs M wasn't happy with that, so she came to us.

### **my findings**

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

I'll talk through the key issues.

#### *using the PPI compensation to reduce the credit card debt*

NatWest owed Mrs M around £2,100 for PPI on her credit card. But Mrs M owed NatWest around £3,900 on the very same credit card. So it seems fair and practical for NatWest to use their debt to Mrs M to reduce her debt to them.

There are some situations where we might think it's better for NatWest to pay Mrs M directly. For instance, if Mrs M was behind on her mortgage and was at risk of losing her home, or if she was behind on her utility bills and at risk of being cut off, then it might be better for NatWest to pay her. But from what I can see, Mrs M's partner pays the mortgage and she's up to date with her utility bills.

I do understand that Mrs M's in a really difficult financial situation. I should explain that by using the PPI refund like this, NatWest have reduced Mrs M's credit card debt by more than half. So she'll be able to pay it off much more quickly than before. Whereas if I told NatWest to pay Mrs M the money directly, they'd have to take it back out of her credit card – which means her debt would be much larger again.

It's also worth bearing in mind how credit card PPI works. Each time Mrs M got charged for PPI, it was added to her credit card balance. So she wouldn't actually pay for PPI until she paid off her card. So far, I can see Mrs M paid for around £375 in PPI premiums when she cleared her card in the past. But the rest of the PPI is made up of premiums that are still sitting on the balance, which she hasn't paid off yet. That makes up most of the PPI compensation. So it makes sense to take those premiums off the credit card, rather than paying them to Mrs M. It wouldn't be fair to give Mrs M a refund of the PPI premiums she hasn't actually paid for yet.

So I don't think NatWest needs to pay Mrs M the PPI refund directly. But if Mrs M is in trouble with any important bills, like her mortgage, utilities, or council tax, then please can she let me know in response to this provisional decision, and I'll take that into account. If she is behind on those bills, it'd be helpful to see a copy of the bill and how much the arrears are.

#### *customer service*

Mrs M says that when she spoke to NatWest, they told her to get a letter from her debt management company. It turns out that it was completely unnecessary for Mrs M to contact the debt management company. NatWest say they didn't tell her to contact the company.

I've looked at NatWest's record of the call. The adviser wrote that they told Mrs M "*we do hold the right to offset... and we would contact the Debt management plan directly to deal with this, she will contact them and then see if they have an interest in the funds herself*".

So it looks like the adviser did bring up the idea of contacting the debt management company, even though no-one needed to contact them. And they discussed Mrs M going to the debt management company herself instead. Mrs M was clearly under the impression that she was supposed to contact the debt management company, and she's given us a clear and consistent picture of what happened.

Overall, I think it's most likely that NatWest gave Mrs M the wrong advice here.

I understand that this confused things for Mrs M. I also understand that she went to a bit of trouble getting a letter from the debt management company and sending it on, and that she was disappointed when it turned out the letter didn't make a difference. I think NatWest should give her compensation for that. So I propose they pay her £50 as an apology.

#### **my provisional decision**

Given everything I've said above, I think it's OK for NatWest to use Mrs M's PPI compensation to make her credit card debt smaller. Though Mrs M should let me know if she has any debts that are an emergency, such as if she's behind on her mortgage.

I think NatWest probably did tell Mrs M to get a letter from her debt management company, which was unnecessary. So I think NatWest should pay her £50 as an apology for that.

Please could Mrs M and NatWest let me know what they think, and send me any more information to look at by 26 January 2018. After that, I'll issue my final decision.

Adam Charles  
**ombudsman**