

## **complaint**

Mr B is complaining that HSBC Bank Plc (HSBC) mis-sold him a payment protection insurance (PPI) policy. He's unhappy that it's used the compensation it offered to reduce a debt.

## **background**

Mr B took out a PPI policy alongside a credit card. Mr B complained to HSBC that it mis-sold the PPI policy. HSBC agreed and offered him £639.14 in compensation. But it said that he still owed money on his credit card. So it used the compensation to reduce this debt. Mr B didn't think this was fair because he said he was struggling to pay his household bills – including his rent and council tax. So he wants HSBC to pay the money to him directly as this would help with his bills.

I issued a provisional decision in September 2016 saying that I thought it was fair for HSBC to use the compensation it had offered to reduce what Mr B owed on the credit card.

I could see that HSBC had worked out what it charged Mr B for PPI (including interest). I could also see that it had worked out what it owed as 8% simple interest for any time Mr B was out of pocket. And I thought the way it had worked this out was fair. So I thought HSBC had offered a fair amount of compensation for mis-selling PPI.

I said that usually this Service thinks it's fair for HSBC to use compensation it's offered for mis-selling PPI to reduce a debt on the same account. This is because, while HSBC owed Mr B compensation, Mr B owed it more. So we think it's fair to that HSBC can just offset one against the other.

But I said that we'll also think about whether a consumer has a debt which has a greater priority – i.e. one which has a major implication if they don't repay it. So I thought about Mr B's comments that he and his mother are struggling to meet their household bills – especially their rent and council tax.

I looked at everything Mr B had given me, but I was inclined to agree with HSBC in this case. I didn't dispute that Mr B had found it financially difficult recently. But I hadn't seen anything to show that they were in arrears on the council tax and rent. It seemed that, despite their difficulties, they were keeping up with these bills. Also, while Mr B had shown that he did sometimes contribute towards the council tax, this wasn't very often. So I didn't think it would be fair for me to require HSBC pay him compensation for something he might fall into arrears with at some point, given that he did owe HSBC money.

I noted Mr B had shown that he was in arrears on some other debts (e.g. mobile phone bill). But I didn't think these held a greater priority over what he owed HSBC on the credit card. So, taking all of this into account, I thought it was fair for HSBC to use the compensation it had offered to reduce what he still owed on the credit card.

Mr B didn't accept my provisional decision. He provided copy of his bank statements and some card receipts to show that he does contribute to his household bills – i.e. his gas and electricity bills. And he offered to provide evidence of his medical condition which would show why he finds it difficult to work.

HSBC responded to say that it didn't have anything else to add.

## **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've taken into account Mr B's comments, but I still don't think what HSBC has done is unfair.

As I said in my provisional decision, usually this Service thinks it's fair for HSBC to use compensation it's offered for mis-selling PPI to reduce a debt on the same account. But we will think about whether a consumer has a debt which has a greater priority – i.e. one which has a major implication if they don't repay it. And this is what I have to think about in this decision. Mr B has shown that he has other debts and contributes towards some household bills. But I need to think whether these debts hold a greater priority over his credit card bill. And I don't think they do.

I don't dispute that Mr B does contribute to his household bills. And I appreciate that he's found things difficult recently. But, I haven't seen anything to show that he is in arrears on his household bills. I accept it's important that the gas and electricity bills are paid. But, as with his council tax, Mr B and his mother are able to pay them. But he is in arrears on his credit card.

While I do sympathise with the situation Mr B is in, he still owed HSBC money on his credit card. And this was more than HSBC owed him in compensation. I still don't think it would be fair for me to require HSBC pay the compensation to him directly in this case to pay off other bills and debts.

Ultimately, I don't think Mr B has shown that he has any debts which have a greater priority than the debt he has with HSBC. So I think it was fair for it to use the compensation to reduce his debt. And it doesn't need to pay it to him directly.

## **my final decision**

For the reasons I've set out above, I think the amount HSBC Bank Plc has offered in compensation for mis-selling PPI was fair. And I think it was fair for HSBC Bank Plc to use it to reduce what he owed on his credit card.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 November 2016.

Guy Mitchell  
**ombudsman**