

complaint

Mr S is complaining that Santander UK Plc (Santander) has mis-sold him a payment protection insurance (PPI) policy. He's not happy that it wants to use the compensation it's offered to reduce a debt he has with Santander.

background

Mr S complained to Santander that it mis-sold him a single premium PPI policy on a loan he took out in 2006. Santander agreed it was mis-sold and offered him £3,318.01 in compensation. But it said it would use this money to reduce the amount Mr S still owed on the loan. Mr S is unhappy that Santander wants to use the money this way. He says Santander mis-sold him the policy, so it's unfair that it gets to keep the money. He also says that the debt is now with a third party. So he doesn't think he has an account with Santander. And he doesn't think Santander can use his compensation to pay a third party. Santander says it still owns the debt and Mr S still owes it money. So it's fair for it to do so.

Mr S has also told us that he's in financial difficulties. And he wants Santander to pay his compensation directly to him to help him with his situation.

Mr S is also unhappy that Santander is adding interest to the debt, despite him being in a debt management plan. He says he's making his monthly payments, but his debt keeps increasing. He says this is unfair. He says that the financial pressure he's suffered has caused him a lot of distress and inconvenience.

The adjudicator didn't think Santander had acted unfairly. Mr S disagreed and asked for an ombudsman to review his complaint.

my findings

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

Mr S doesn't think Santander should be allowed to use his compensation to reduce his debt. But Mr S still owes Santander money on the loan. Santander has asked a third party to collect the money for it. And Mr S has an agreement with the third party that he will pay Santander £5 each month to reduce the debt. As Mr S still owes Santander money on the loan that the PPI protected, I think it's fair for Santander to use the compensation to reduce the amount he owes.

Mr S thinks that Santander is adding interest to his loan each month. He says the amount he owes has significantly increased since he entered the repayment plan. Santander has said it hasn't charged interest on the debt since then. I've looked at the statements that Mr S has given us. And the amount Mr S owes in interest hasn't changed. I can also see that Mr S's outstanding debt has gone down since he began the repayment plan with Santander, despite only paying a small amount of money each month. So I don't think Santander has charged interest since Mr S began the repayment plan. And Santander has used Mr S's monthly payments to reduce the debt on his loan.

Mr S has also said that he has other debts that he needs to pay off. And he wants to use the compensation to repay them. But he's told us that he's in a repayment plan for the other

debts and he's managing them. And the debt with Santander is much higher. So, I don't think Santander should pay the compensation directly to him because of his other debts.

Mr S says that the financial difficulty he's suffered has caused him a lot of distress and inconvenience. But I think the distress and inconvenience Mr S has suffered is because he defaulted on his loan. And I don't think that Santander mis-selling him PPI was what caused him to do so. I accept that Mr S may have suffered some distress and inconvenience through the complaint. But Santander quickly accepted it had mis-sold him PPI and offered him compensation. And I don't think Santander has acted unfairly since then. So I don't think Santander is responsible for any distress and inconvenience that he's suffered.

Mr S wants Santander to accept the compensation it's offered for mis-selling PPI as settlement for the entire debt. But, Mr S still owes Santander more than the compensation it's offered. And I don't think Santander's actions were unfair in the handling of this complaint. So I think Santander can use the compensation to reduce the outstanding debt and Mr S will still owe Santander the remaining balance.

my final decision

For the reasons I've explained, I think Santander UK Plc can use the compensation it's offered for mis-selling him a PPI policy to reduce the amount Mr S still owes on his loan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 December 2015.

Guy Mitchell
ombudsman