

## **complaint**

Mrs J is unhappy with the way Allianz Insurance Plc (Allianz) has paid the compensation to settle her complaint about a mis-sold payment protection insurance (PPI) policy taken out with a loan.

## **background**

Mrs J complained to Allianz about the sale of a PPI policy taken out with a loan in 1996. Allianz offered to settle Mrs J's complaint and sent her a letter setting out the amount it was willing to pay in compensation.

Allianz said it wanted to use the compensation to reduce the debt Mrs J still owed for the money she had borrowed but not paid back. It said Mrs J stopped making her payments in 1997 and the PPI was cancelled.

Mrs J says she wants the compensation paid directly to her and thinks the money she owes is to a third party not Allianz.

Our adjudicator said what Allianz had done with the compensation was fair and reasonable.

Mrs J disagreed and has asked that an ombudsman look at her complaint.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Mrs J's case.

Allianz has agreed to settle Mrs J's complaints about the mis-sale of the policy. So I'm not looking at how the PPI came to be sold to Mrs J. I'm only looking at how Allianz is saying it will pay the compensation for the PPI.

Having looked at all the information I'm not upholding Mrs J's complaint.

Mrs J took out her loan in 1996 and the cost of the PPI was added to the loan. The loan and interest without PPI was for almost £5,500.00. The total PPI cost including interest was just over £500.00.

Mrs J only made three payments in the following nine months towards her loan before she couldn't pay it any more. At this point the PPI was cancelled in July 1997. I can see from the screen shots Allianz has sent, that an amount was taken off the outstanding debt for part of the PPI premium and the interest linked to that premium.

A third party debt collection agency then made arrangements with Mrs J for her to make payments towards the debt. Although the debt has been outstanding for many years I can see, taking account of the removal of all the PPI cost, Mrs J owed just under £5,000.00 when she stopped paying.

Mrs J has made payments over the years but this has only been for a few pounds a month and not always on a regular basis. So she still owes Allianz just over £3,000.00 for the loan. No interest has been added to the loan since 1997.

I have also seen in the letters sent to Mrs J by the third party it says it is "*managing the case for [Allianz]...*" I have also seen screen shots from Allianz which shows they still own the debt. So although Mrs J feels she has been dealing with a third party and Allianz no longer own her debt, I don't agree and I think Mrs J still owes the debt for the money she borrowed to Allianz.

As the PPI was taken out with this loan in 1996, and Mrs J still owes a debt from this loan, Allianz can set the compensation it owes Mrs J against the amount Mrs J owes Allianz. I note Mrs J says she has been paid direct other compensation, but each case has to be considered on its circumstances.

Taking account of the payments Mrs J made towards the loan it seems to me that the amount taken off the debt in 1997 was only a partial refund of the PPI cost. So the debt going forward did include some of the cost of the PPI and interest for that.

But I can see in the offer made by Allianz that they have offered Mrs J the full balance of the cost of the PPI as compensation plus some 8% simple interest for the amount she has been out of pocket. So by deducting the compensation from the debt all PPI is removed. I can't see that any more interest has been caused by the adding of the PPI than is being refunded.

I think that the offer Allianz has made to Mrs J to settle her complaint is fair and it is also fair that Allianz can set the compensation against the debt Mrs J owes on her loan. Allianz has offered to update the 8% interest calculation to the date of settlement which I think is also fair.

### **my final decision**

For the reasons set out I think the offer made by Allianz Insurance Plc is fair and it can use the compensation due to Mrs J to set against the debt she owes on the loan she took out with the PPI.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs J to accept or reject my decision before 26 June 2015.

Christine Fraser  
**ombudsman**