

complaint

Mr F complained to this service about the sale of a payment protection insurance (PPI) policy in connection with a credit card. The card and the PPI were both sold by HSBC Bank Plc. HSBC initially rejected Mr F's complaint, but after the involvement of this service, it then made an offer to settle the complaint.

Mr F has not disputed the amount he has been offered, but he does not believe that the redress arising from his PPI should be used to reduce his arrears on the associated credit card. This is the focus of my decision.

Mr F has raised other complaints about other PPI policies with this service. Mr F has also said that he is unhappy with the way HSBC has pursued him for the outstanding debt he owes on his credit card. He has indicated that he intends to raise a separate complaint about this and my decision therefore makes no finding on that point.

My decision focuses solely on whether it is fair and reasonable for HSBC to use the redress it has offered Mr F to reduce the arrears on his credit card.

background

An adjudicator at this service has considered this complaint and concluded that it is fair and reasonable for HSBC to use Mr F's redress to reduce his credit card arrears. Mr F does not agree and has asked an ombudsman to consider this 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.

In this case, HSBC has made an offer to put Mr F back in the position he would have been in if he had not purchased PPI. I have not, therefore, investigated the circumstances of the sale itself as HSBC's offer means that it is no longer necessary to decide whether the policy was mis-sold.

Mr F has not raised any concerns about the amount of redress he has been offered, and so I have not reviewed the cash settlement. In this particular case, the key issue of disagreement is HSBC's proposal to use Mr F's PPI redress to reduce arrears on the credit card that the PPI was set up to protect.

I note that DISP App 3.9.1G says "Where the complainant's loan or credit card is in arrears the firm may, if it has the contractual right to do so, make a payment to reduce the associated loan or credit card balance, if the complainant accepts the firm's offer of redress. The firm should act fairly and reasonably in deciding whether to make such a payment."

This service has checked with Mr F to see whether he has any other debts which might be viewed as being higher priority (such as secured debts which put Mr F's home at risk, or arrears on essential services and utilities). Mr F has confirmed that he has no such debts that might take precedence over his credit card arrears. I can therefore find no reason to conclude that HSBC has acted unfairly or unreasonably in using Mr F's redress to reduce his credit card arrears.

I note that HSBC has used different departments and even external companies to recover the arrears on Mr F's credit card. However, HSBC has said that it still owns the debt. Therefore, it is legitimate for it to use the redress to reduce the arrears which Mr F owes.

Mr F has complained about the way these departments and third party companies have approached him. But Mr F has indicated that it is his intention to raise a separate complaint about these matters and so I do not address them here.

Mr F has specifically asked why HSBC sought his permission to transfer the redress to its internal debt collection department before paying him his redress. I have reviewed the offer acceptance form that Mr F refers to. In fact, it seems to me that this was intended to formalise Mr F's agreement with the *amount* of redress and the fact that this was payable *in full and final settlement* of his complaint. HSBC's internal debt collection department was mentioned only incidentally because this is where Mr F's credit card account now sits within the HSBC group.

Mr F has also made reference to other regulations and I have considered his arguments carefully. But I consider the guidance already quoted from DISP App 3 to be most pertinent in this case. This clearly states that a business may use PPI redress to reduce arrears on the associated debt.

So, whilst it has been agreed by HSBC that Mr F should receive some redress in respect of the sale of his credit card PPI policy, I am unable to uphold his complaint about the fact that HSBC wishes to use his redress to reduce credit card arrears. It seems to me that HSBC has acted fairly in proposing to allocate his redress in this way. Whilst Mr F will not receive the cash directly in his pocket, he will benefit from the full amount being used to reduce his indebtedness.

my final decision

I conclude that HSBC Bank Plc should pay redress to Mr F in respect of the sale of his credit card PPI policy. However, the proposal to use this amount to reduce his arrears is fair and reasonable. I make no further award against HSBC Bank Plc.

John Wightman
ombudsman