

complaint

Mr S' complaint is about the mis-sale of a payment protection insurance (PPI) policy and the way Santander UK Plc has used the compensation it offered to put this right.

background

Mr S originally complained to Santander that the PPI policy attached to his Cahoot credit card was mis-sold.

In 2013 Santander upheld Mr S' mis-sale complaint. It calculated he was entitled to £4,987.18 in compensation. This was made up of the amount he was charged for the PPI premiums until the policy was cancelled in May 2008 and associated interest on those premiums at the credit card rate.

Mr S accepted this compensation offer but was unhappy when Santander used it against arrears it said were on his credit card account.

In 2008 Mr S was granted a Protected Trust Deed (PTD) and was successfully discharged from it in 2011. Cahoot was listed as a creditor in the PTD. Mr S says that, as he's been discharged from his PTD, his outstanding debt with Santander from his Cahoot credit card has been cleared. So he says the £4,987.18 compensation should've been paid directly to him.

Our adjudicator thought what Santander had done was fair. Mr S disagreed so the complaint has been passed to me for a final decision.

my findings

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

As Santander has agreed that PPI was mis-sold to Mr S, I haven't looked at how the policy was sold.

I've looked at the offer Santander made in 2013 and also considered whether the way it used the compensation money was fair.

Mr S has told us he isn't questioning how Santander worked out its total offer of £4,987.18 in 2013. But I've reviewed the method Santander used to calculate it anyway and think it's fair. I say this because Santander has worked out compensation in the same way I'd expect it to if I'd found it had mis-sold PPI to Mr S.

I also think it was fair for Santander to use the compensation to reduce Mr S' outstanding arrears on his credit card account. And I think this even though Mr S has been discharged from his PTD that Cahoot was a named creditor on.

When Mr S entered into his PTD the debts he owed weren't cancelled. And they weren't cancelled when he was discharged in 2011 – but he couldn't be chased to pay them. The debt that he had with Santander still exists and part of that debt was for PPI premiums and associated interest that he hadn't paid.

I'm satisfied the PPI compensation Santander owed to Mr S was directly linked to the credit card on which he owes them a debt that still exists. So it's fair that Santander can use the debt it owes to Mr S against the debt he owes to the business.

Also, the arrears on Mr S' credit card account were greater than the compensation for PPI being mis-sold to him. So I think it's fair for Santander to use all of the compensation to reduce his debt. Otherwise Mr S would be getting a refund of PPI premiums and interest that he didn't actually pay.

my final decision

For the reasons I've explained, I don't uphold Mr S' complaint against Santander UK Plc.

As the compensation for the mis-sale of PPI has already been offset against the arrears on Mr S' credit card account, Santander UK Plc doesn't need to do anything more.

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

Helen Liburd
ombudsman