

## **complaint**

This complaint is about a payment protection insurance (PPI) policy taken out with a credit card. Mrs B is unhappy with how Royal Bank of Scotland (RBS) has used the compensation it offered to settle her complaint.

## **background**

Mrs B complained to RBS about the sale of a PPI policy associated with her credit card.

RBS wrote to Mrs B in March 2012 and said it was willing to settle her complaint. Mrs B signed the acceptance of offer form and returned this to RBS. RBS used the compensation to set off against the debt on the credit card account as Mrs B had some years earlier defaulted on her credit card payments.

Mrs B said she had settled the debt on the credit card after being in an IVA. So she didn't owe RBS anything and the compensation should be paid directly to her.

Our adjudicator said what RBS had done with the compensation was fair and reasonable. Mrs B disagreed and has asked an ombudsman to consider the complaint.

## **my findings**

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

RBS has agreed to settle Mrs B's complaints about the mis-sale of the policy on her credit card. So I'm not looking at how the PPI came to be sold to Mrs B. I am only looking at how RBS has paid to Mrs B the compensation for the PPI that was added to this credit card account.

I've looked at the offer made by RBS which was for a total of £3,485.88. The offer letter said *"This money will be automatically credited to your card balance. If however your card is no longer active we will send you a cheque."* Further on it also said *"To accept my offer all you need to do is sign and return the declaration at the end of this letter. On receipt we will arrange for payment to be made, subject to clearance of any arrears of indebtedness you may have with the Group."*

Mrs B signed the acceptance but was unhappy when RBS didn't pay her a cheque but set the amount of its offer against the debt on her credit card.

Mrs B had gone into arrears on the card some years earlier. In 2006 she had entered into an Individual Voluntary Arrangement (IVA) which ended in December 2010. When the IVA was discharged Mrs B still had a debt of over £9,000.00 on her credit card account that hadn't been paid. Although after the IVA RBS wasn't able to chase her for this debt, she still owed this money spent on the card. Part of this debt was for the costs of the PPI.

I've considered the information sent to Mrs B when RBS made its offer. In the covering letter it said the payment was subject to clearing any debt and also that the money would be credited to the card balance. So I think it was made clear how RBS would use the compensation.

There was a debt owed on the card which was far more than the PPI compensation amount. As Mrs B had never cleared the debt on the card, which was in part caused by the PPI, Mrs B has never paid the full amount for the PPI as it forms part of the debt she owed to RBS on her card account.

As the PPI was related to this credit card account, and forms part of the debt Mrs B never paid, I think it's fair that RBS uses the PPI compensation to reduce the debt on the card.

I've also looked at what happened when RBS applied the PPI compensation to the card. Mrs B has said RBS added the PPI compensation and so increased the debt on the card.

In fact the debt on the card in 2010 was just over £9,000.00. In March 2012 I can see that RBS took off the compensation amount so the debt on the card was reduced. But then in May 2012 RBS added the PPI compensation back onto the card balance. So the statement Mrs B got then showed the debt increasing by the amount of the compensation. Then in August 2012 RBS credited the PPI compensation back to the card.

RBS says the debit to the card in May 2012 was an error, although it isn't sure why this happened. But it does point out this was corrected in August 2012. I can also see that, as interest on the card has been suspended for many years, there was no additional costs added to the card as a result of this error. The correct balance on the card, after the set off of the PPI compensation in August 2012 is £5,776.16. This is what Mrs B hasn't paid to RBS for her spending on the card after the PPI has been removed.

But this mistake has caused some confusion and upset to Mrs B. So I am awarding £100.00 for the upset this has caused. RBS should pay this directly to Mrs B.

### **my final decision**

For the reasons set out I agree that it was fair for Royal Bank of Scotland Plc to use the compensation due to Mrs B to set against the debt on her credit card account.

But I am awarding £100.00 to be paid by Royal Bank of Scotland Plc to Mrs B for the upset and confusion caused by its error when applying the compensation to the credit card account.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs B to accept or reject my decision before 15 October 2015.

Christine Fraser  
**ombudsman**