complaint

Mr M's complaint is about a payment protection insurance (PPI) policy he was sold by Capital One (Europe) Plc with a credit card.

background

In 2007, Mr M took out a credit card with Capital One. At the same time, he was sold a PPI policy to protect the repayments on his card. Mr M later got a Debt Relief Order (DRO) and the outstanding debt on his card formed part of this.

In 2017, Mr M complained to Capital One about the PPI policy he'd been sold with his card. Having investigated his complaint, Capital One made an offer of compensation on the basis that it had mis-sold the PPI to him. But it used this compensation offer to reduce the outstanding debt on Mr M's credit card account, rather than paying him directly.

Mr M thinks Capital One's offer of compensation for the mis-sale of the policy to him is too low. And he doesn't think that Capital One should have used his PPI compensation to reduce the outstanding debt on his card, because he says the debt had already been settled as part of the DRO.

Our adjudicator didn't think Mr M's complaint should be upheld. She thought that Capital One had calculated his offer of compensation correctly, in the way in which this service would have expected it to do. And she thought it was fair for Capital One to use his PPI compensation to reduce the debt outstanding on his credit card account.

Mr M didn't agree with the adjudicator's view, so the case has been passed to me.

my findings

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

Capital One has already agreed to compensate Mr M for the mis-sale of his PPI policy. So I don't need to look into how it sold the policy to him. I'll only be looking at whether it has acted fairly in the way it's calculated Mr M's PPI compensation and used it to reduce the outstanding debt it says Mr M still had on his card account.

I've first considered whether Capital One has calculated Mr M's compensation offer in the way I would have expected it to.

In making its offer for the mis-sale of PPI to Mr M, Capital One needs to put him back in the position he would have been in if the sale hadn't taken place. This means it needs to refund all the premiums he was charged for his policy. It also needs to repay any interest or fees which he was charged on his card account as a result of these premiums. And it needs to add 8% simple interest for any periods when he was out of pocket because of these charges.

Capital One has provided records from its computer systems which show that Mr M was charged £41.39 in PPI premiums whilst his policy was in force. It's also calculated that Mr M was charged £1.49 in interest on these premiums and that a further £2.27 in simple interest is due to him for the periods when he was out of pocket because of these. It has then deducted £0.45 for the tax payable on the simple interest payment, as it is required to do by HM Revenue and Customs. This results in a net amount of compensation due to Mr M of £44.70.

Having reviewed the offer and information provided by Capital One, I'm satisfied that it's been calculated in the way I would have expected and I think it's fair. Mr M says this offer is lower than others he's received from other businesses who also mis-sold him PPI. But in looking at whether the compensation paid for the mis-sale of a PPI policy is fair, we look at the particular circumstances of a complaint. And the fact that Mr M may have received higher offers on other mis-sold policies doesn't mean the offer made on this policy is too low.

I've next considered whether Capital One has acted fairly by using Mr M's PPI compensation to reduce the amount it says remained unpaid on his credit card account.

When Mr M got a DRO, the debts he owed weren't legally cancelled – they were effectively frozen. And they weren't cancelled when the DRO ended. So the debt of £272.74 Mr M had on his credit card with Capital One wasn't paid back. It's just that Capital One can't chase Mr M for this debt because of the DRO. So Mr M hasn't been required to take any active steps to pay this debt back.

I also think it's important I explain that the cost of the PPI premiums was added to Mr M's credit card balance. So when Mr M got his DRO, the debt of £272.74 included almost all of the £41.39 he was charged for PPI and the £1.49 he was charged in interest because of PPI. And because Mr M didn't pay this debt, he didn't pay for the PPI that was part of it. So I don't think Capital One needs to pay Mr M money he didn't pay.

And of the few remaining pounds he actually paid, I think it's fair for Capital One to use this to reduce the remaining credit card debt. Put simply, Mr M owes Capital One some money, even if it can't now ask him to pay it back. And Capital One owes Mr M some money. The debts are closely connected – both stemming from the same account. And I think it would be unfair to tell Capital One to pay Mr M what it owes him when he doesn't – and won't ever – have to pay what he owes Capital One.

So from what I've seen, I don't think Capital One has done anything wrong in the way it has calculated the amount of compensation it's offered Mr M, or by using Mr M's PPI compensation to reduce his credit card debt.

Mr M also thinks that he may be able to make a back-dated claim on his PPI policy for a period when he couldn't work. But I haven't looked into this in making my decision on his complaint. Mr M will need to contact the insurer of his PPI policy directly to see if he can make such a claim. I understand that Mr M is already aware of the business he needs to contact if he wants to do this.

my final decision

It follows from what I've said that I'm not upholding Mr M's complaint against Capital One (Europe) Plc and so I won't be asking it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 January 2019.

Simon Furse
ombudsman