

## **complaint**

Mrs N has complained about the way Royal Bank of Scotland Plc (RBS) has used the compensation it agreed to pay her after she complained about the mis-sale of payment protection insurance (PPI).

## **background**

Mrs N took out a loan with RBS. With this she took out PPI to protect her repayments. Mrs N entered into a protected trust deed (PTD) when she wasn't able to pay all of her debts when they were due. Mrs N was discharged from the PTD on 9 August 2010. This meant that she had no further obligations to her creditors and couldn't be chased for payment. RBS say Mrs N owed them £2,993.39 at the time of discharge.

RBS has made an offer of £1,912.99 to settle the complaint Mrs N made about mis-sold PPI. RBS sent Mrs N a text message to confirm receipt of her signed acceptance form. It also said *'Payment should be issued to you by 06 Jan 16. Please note if you are / have been insolvent or have outstanding debt on accounts held with RBS group your payment may be impacted'*.

Mrs N believes that this money should be paid directly to her. She says that since she was discharged from her PTD she doesn't owe RBS any money.

One of our adjudicators looked at this complaint and thought it was fair for RBS to use the compensation to reduce the debt. Mrs N (and her representatives) disagree so this case 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.

Mrs N doesn't disagree with the amount of compensation being offered to her by RBS, so I don't need to look at how the PPI was sold. I do however need to consider whether the offer is fair and whether RBS can use this money to reduce the debt.

I think the offer and what RBS has done is fair and I'll explain why.

I'd expect that when a business has mis-sold PPI, it puts things right by putting the consumer in the financial position they would have been in now if they hadn't taken out PPI. RBS has worked out that this amount would be £1,912.99 (after tax). Mrs N isn't saying the amount offered is wrong, so I need to consider whether RBS can use it to reduce the debt it says she still owes.

When Mrs N entered into the PTD, the debts she owed weren't cancelled. And they weren't cancelled when she was discharged in 2010 – but she can't be chased for these debts anymore. The debt she has with RBS still exists and some of it related to PPI (and interest) that Mrs N never paid. So I think it's fair for RBS to use the compensation to reduce her debt. Otherwise she'd be getting a refund of PPI (and interest) she didn't actually pay in the first place.

I've also thought about the position Mrs N would be in now if she hadn't had PPI. When she entered into her PTD, she owed RBS just under £3,000. But this included some unpaid PPI.

So if she hadn't had PPI, she'd have still owed RBS something but it would have been less. I think Mrs N would still have entered into her PTD – but the amount she'd owe RBS now (the amount it can't chase her for) would have been less. And that's the position Mrs N is in, so I think what it's done is fair.

**my final decision**

For the reasons set out above I think the Royal Bank of Scotland Plc's offer is fair and I don't direct it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 7 April 2016.

Simon Dibble  
**ombudsman**