

## **complaint**

Miss M isn't happy with how Shop Direct Finance Company Limited ('Shop Direct') has offered to resolve her complaint about a payment protection insurance ('PPI') policy attached to a store card.

## **background**

Miss M took out a store card and at the same time was sold a PPI policy.

Miss M complained to Shop Direct that the PPI policy had been mis-sold. Shop Direct agreed and offered her £378.53 (after tax) in compensation.

Miss M doesn't agree with the offer. This is because she feels Shop Direct should be awarding her more in 8% simple interest.

Shop Direct say that Miss M's account was sold to a third party with a balance which exceeds the PPI compensation so she shouldn't be due any extra 8% simple interest compensation.

Our adjudicator looked at the complaint and thought the approach Shop Direct took was fair. Miss M didn't agree and 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.

Shop Direct has agreed to settle Miss M's complaint, so I won't be looking at how the policy came to be sold because that's not in dispute. I will only be looking at whether the approach Shop Direct has taken to resolve Miss M's complaint is fair and I think it is. I'll explain why.

When a business agrees to settle a complaint we expect it to, as far as possible, put the customer in the position they would have been in had they not been sold the policy.

With a PPI policy attached to a store card this typically means a refund of anything charged because of the PPI (typically PPI premiums and interest on those premiums), any fees/charges directly caused by the PPI and 8% simple interest, to compensate the consumer for the time they've been out of pocket.

In this case Shop Direct has refunded what Miss M was charged for the PPI policy (including the PPI premiums charged) and a very small amount for 8% simple interest. But it isn't calculating any further 8% simple interest because it says Miss M hasn't been out of pocket.

This is because at some point Miss M had problems making her repayments and Shop Direct made the commercial decision to sell the debt she had on this account on to a third party. So it was of the opinion that if this debt hadn't been paid back then Miss M wasn't due any further compensation for being out of pocket – because she hasn't paid this debt back.

Miss M said she's paid a lot of this debt back and so she should get 8%. Miss M contacted the third party who currently owns the debt and they told her that the current balance of the debt is around £888.

The current balance of the debt is more than double what Miss M's PPI compensation is. Had Miss M not had this PPI policy I think it's likely that this debt would still exist but the balance would possibly be lower.

It's up to Miss M what she does with her compensation. But if Miss M used this PPI compensation to reduce the £888 owed to the third party then her account debt would be, as far as possible, in the position it would be in had she not taken out this policy.

I don't think, in this particular case, Shop Direct need to award any further 8% simple interest compensation because for the reasons discussed above, I don't think Miss M is "out of pocket" for this money as she's not paid it back.

Had Miss M paid this debt off completely then I think she would have been due some extra 8% simple interest compensation but only to be calculated from the date she paid off this debt – as at that point she would have been out of pocket.

I understand Miss M is unhappy because she says other companies haven't taken this approach when awarding PPI compensation and has awarded 8% simple interest. There are many ways a business can approach calculating PPI compensation. My role here is to judge whether or not Shop Direct, in this particular case, and taking account of all the available evidence, has taken a fair approach in compensating Miss M. And for the reasons I've given above I think it has. I can't comment on the approach other businesses have taken in other complaints.

### **my final decision**

For the reasons discussed above, my final decision is that the approach Shop Direct Finance Company Limited in resolving Miss M's PPI complaint is fair. So I don't direct it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 19 July 2018.

Martin Purcell  
**ombudsman**