

complaint

Mr B's complaint is that Canada Square Operations Limited, trading as CitiFinancial Europe Plc ("Citi") mis-sold him payment protection insurance ("PPI") policies with a chain of two loans in 2003 and 2004.

background

Citi upheld Mr B's complaint and made an offer which they said followed the same way we would tell them how to work out compensation. Mr B is unhappy at Citi wanting to pay some of the compensation to another business who currently owns his debt. He wants Citi to pay him all of the compensation.

Mr B couldn't keep up with his loan payments. Citi took Mr B to court in September 2006 because he hadn't made a payment since October 2005. The court ordered Mr B to pay Citi the whole balance of his loan that he hadn't paid back – some £13,000. In April 2009 the court wrote to Mr B to explain it would take further action to recover the debt because he still hadn't paid back any of the amount he owed.

The adjudicator thought Citi's offer was fair but they should pay all of the compensation to Mr B. Citi disagreed saying they're required to remove PPI from the debt Mr B still owes.

Mr B wants extra compensation for the damage to his credit rating caused by the PPI.

Mr B and Citi want an ombudsman to consider the complaint.

I issued my provisional decision in February 2015 and explained I'd considered all the available evidence and arguments to decide what was fair and reasonable in the circumstances of the complaint.

Since Citi had already accepted that it mis-sold the PPI to Mr B I didn't need to consider that part of the complaint here. What was left for me to decide is whether the compensation Citi offered Mr B is fair and reasonable.

I provisionally found the compensation Citi had already paid Mr B to settle his complaint was fair and reasonable. I planned to tell Citi they could pay the current owner of Mr B's debt if they hadn't already done so. And to pay Mr B £50 they agreed to pay (if they hadn't already paid him).

Mr B borrowed extra to pay for the PPI, so his loans were bigger than they should've been. He would've been paying more than he should've done each month. To put Mr B back in the position he would be in now if he'd taken out the loans without PPI, he should get back the extra he's paid. And only have to pay back what remains of the debt if he'd taken the loans without PPI.

Citi worked out and paid Mr B £1,611 for the extra he paid on his loans because of the PPI. This included simple interest at a rate of 8% a year for the time Mr B couldn't use the extra he had to pay on the his loan because of the PPI.

Citi also worked out that Mr B still needed to pay £1,859 for the PPI on his loans. They offered to pay this amount to the business who currently owns the debt. Mr B says he

doesn't need to repay that business because the mis-sold PPI meant the loan agreement shouldn't have existed.

I thought about whether Citi should pay Mr B the £1,859 instead. This amount was intended to reduce the balance of loan so going forward Mr B stopped paying too much on his loan because of the mis-sold PPI.

Mr B said the loan agreement shouldn't have existed. But the courts told Mr B he must pay back the debt and I couldn't change that. And the courts also told Mr B he must pay Citi. If Citi paid Mr B the £1,859 he would have to pay it straight back to them – and Citi would have to pass it on to the business who currently owns the debt. So it didn't make sense in this case to tell Citi not to pay the current owner of the debt and to pay Mr B instead.

I looked at whether Citi should pay extra compensation for the damage to Mr B's credit rating. Mr B stopped paying his loan altogether and not just what he needed to pay for the PPI. So I can't say the events affecting Mr B's credit rating were caused by the PPI. And I wouldn't tell Citi to pay him more compensation.

I'd seen Mr B wanted Citi to pay him any commission they received from the sale of the policy. But Citi are putting Mr B in the position he would be in now if he'd taken out the loan without PPI. And in that position, Citi wouldn't have paid Mr B any commission. This meant I couldn't tell them to do what Mr B asked.

Citi agreed to pay Mr B £50 to make up for a mistake it made in addressing their reply to Mr B's old address. I thought that was fair and Citi shouldn't have to pay more.

Citi confirmed it had received my provisional decision.

Mr B replied to my provisional decision with the following points:

- the sale of PPI has led to an unfair relationship under the consumer credit act
- the courts didn't know Citi had mis-sold PPI when they told Mr B he must pay back the debt to Citi
- the court order against him shouldn't interfere with my decision making
- the new owner of Mr B's debt hasn't confirmed that it includes the amount he still owes for PPI
- if the court order means Citi can pay the current owner of the debt, then Citi also should've paid the amount they paid to Mr B directly to them as well
- the PPI caused damage to his credit rating because he could've paid his loan when he wasn't working if he hadn't bought PPI

my findings

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

I've thought about what Mr B says about the mis-sold PPI has led to an unfair relationship under the consumer credit act. But Citi is putting Mr B back to the position of taking out his loan without PPI which is the same action as I would tell Citi to take if I were to find an unfair relationship. So I've not needed to explore whether an unfair relationship existed.

I accept what Mr B says about the courts not knowing Citi had mis-sold PPI when they told him he must pay back the debt to Citi. But unlike Mr B suggests, I do need to take account of what the courts have said and I cannot change what they've said. If that's what Mr B wants then he needs to go back to the courts. But taking legal advice would be sensible before doing so.

I also agree with Mr B that the new owner of Mr B's debt hasn't confirmed that it includes the amount he still owes for PPI. But if it confirms the debt doesn't include the amount he still owes for PPI, then Citi would still own that part of the debt. And Citi still wouldn't need to pay Mr B the £1,859 to clear the amount he would owe them. They'd use the money instead to remove the PPI from the debt Mr B would owe them.

I've considered Mr B's point that Citi also should've paid £1,611 for the extra he paid on his loans (which they paid to Mr B directly) to new owner of Mr B's debt as well. If Citi had done so, I wouldn't have thought that was an unfair thing to do in the circumstances of Mr B's complaint. But Citi didn't so I don't need to think more about it – it's for Mr B to think about what he needs to do with that money.

Finally I considered what Mr B says about paying his loan when he wasn't working if he hadn't bought PPI. But Mr B stopped paying his loan altogether and I've not seen he tried to make a payment after October 2005. So I can't place enough weight on what Mr B says to tell Citi to do something about his credit rating. I still don't think the PPI was the only cause of the damage to his credit rating or that his credit rating would've been different if he hadn't bought PPI.

Having considered Mr B's reply to my provisional decision, I see no reason to change the findings I set out in my provisional decision. And for the reasons I have set out above, including those set out the background to this decision, I think the compensation Citi has already paid Mr B to settle his complaint is fair and reasonable. Citi can pay the current owner of Mr B's debt if they hadn't already done so. And they should pay Mr B the £50 they agreed to pay to make up for a mistake it made in addressing their reply to Mr B's old address.

my final decision

Canada Square Operations Limited, trading as CitiFinancial Europe Plc should pay £1,859 to the current owner of Mr B's debt if they haven't already done so. They should also pay Mr B the £50 it agreed to pay (if they haven't already paid him).

Under the rules of the Financial Ombudsman Service, I am required to ask Mr B to accept or reject my decision before 1 May 2015.

Stefan Riedel
ombudsman