

## **complaint**

Mr B's complaint is about the sale of a payment protection insurance (PPI) policy and the compensation Santander UK Plc (Santander) has offered to put things right.

## **background**

Mr B complained that Santander mis-sold him a PPI policy on his flexi-loan account.

In May 2015 Santander upheld Mr B's complaint that his PPI policy had been mis-sold. It offered him £2,547.42 compensation – this was made up of £2,139.25 which Mr B been charged for PPI premiums and £408.17 interest charged on those premiums at the flexi-loan rate. But Santander said it wanted to offset the compensation against the arrears on Mr B's account.

Santander said this compensation would put Mr B in the position his account would've been in if PPI hadn't been sold to him.

Mr B was unhappy with Santander's offer. He thought Santander should pay the compensation to him directly.

Our adjudicator thought Santander's offer was fair. Mr B disagreed 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.

As Santander has accepted it mis-sold PPI to Mr B, I don't need to consider how the policy came to be sold to him.

In this decision I've looked at whether the offer Santander made in 2015 is fair. I think it was and I'd like to explain why.

I appreciate Mr B hasn't questioned the way Santander calculated the amount due to him (£2,547.42), just that Santander has used this compensation to reduce arrears it says were on his account. But I've checked the calculation anyway and I'm satisfied Santander has followed the approach I'd expect it to if I found it had mis-sold PPI. I think this amount puts Mr B in the financial position he would've been in if the PPI policy hadn't been sold to him.

Mr B thinks the compensation should be paid to him directly. He says this because Santander hasn't been able to provide a copy of his consumer credit agreement; a third party considered the debt unenforceable; and, in any event, he's in financial difficulty and has other debts which he believes are a greater priority.

Santander has provided copies of its records to show that, just before it upheld Mr B's complaint in May 2015, there was an outstanding debt on Mr B's flexi-loan account of £7,311.06. Santander's also told us it owns the debt on Mr B's account and he hasn't made any payments towards the account arrears since 2013.

I don't think Santander being unable to provide a copy of Mr B's credit agreement and a third party deciding not to chase Mr B for the debt affects whether Santander can use the PPI compensation to reduce the arrears it has recorded on Mr B's flexi-loan account.

I think it was fair for Santander to use the PPI mis-sale compensation to reduce the arrears on Mr B's account.

I say this because when there are arrears on the account that PPI was sold to cover, I usually think it's fair for a business to use the PPI mis-sale compensation to reduce that debt. And I don't see any reason why that shouldn't apply here.

I've thought about Mr B's wider financial circumstances because sometimes it might not be fair to allow a business to use any compensation against a debt its owed if there are other, more pressing debts to be paid. I appreciate Mr B considers his other debts to be a greater priority than his flexi-loan. But I don't think Mr B's other debts, or anything else I've seen about his circumstances, are evidence of a more pressing and urgent need for the compensation to be paid directly to him when he still owes Santander money. And from the information available to me it appears that Mr B has repayment arrangements in place for his other debts that he's able to meet.

On balance, I think it was fair for Santander to use the money it owed Mr B for the sale of PPI to reduce the debt he owed Santander. Otherwise Mr B will get a refund of PPI premiums and interest that he didn't actually pay.

I've seen that Santander has already amended its records to reflect a reduction in the arrears on his loan account by the amount of PPI compensation it owed him. So it follows that I don't think Santander needs to do anything further to put things right for Mr B.

### **my final decision**

For the reasons I've explained, I think Santander UK Plc has offered fair and reasonable compensation for the mis-sale of PPI in Mr B's case. And I think it was fair for Santander UK Plc to offset that compensation against the arrears on Mr B's flexi-loan account.

As Santander UK Plc has already reduced the arrears on Mr B's account accordingly, it doesn't need to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 28 July 2016.

Helen Liburd  
**ombudsman**