

complaint

Ms H says The Royal Bank of Scotland Plc ('RBS') mis-sold her a payment protection insurance (PPI) policy.

background

Ms H took out an RBS (Mint) credit card in 2001. At the same time, she bought a PPI policy. In 2014, Ms H complained to RBS about the sale of the PPI policy. RBS agreed it had mis-sold it and offered her £2,324.63 to put things right, but said it would be using the money to reduce the arrears on her credit card. Ms H wasn't happy with RBS' response and brought her complaint to us.

I issued my provisional decision in July 2016. I thought RBS had calculated how much to pay Ms H fairly, but I also needed to look at whether it was fair for it to use the money to reduce the arrears on Ms H's credit card. In principle, it's fair for a business to use PPI compensation to reduce a consumer's credit card arrears. But there are some situations when we think it's fair for the business to do something else, and I thought Ms H's case was one of those situations.

Ms H and RBS accept there were arrears on her credit card account. RBS owned the debt but passed it to an agent in October 2004 to collect the outstanding debt on its behalf. Ms H made payments to the agent until July 2007. In August 2007, Ms H received a letter from the agent saying it had been instructed to take no further action against her and had closed its file. There was no further contact between Ms H, the agent or RBS about the credit card account or the arrears until October 2014.

I thought Ms H would've thought she didn't have to pay any more because she'd cleared the debt. There was no obvious reason for the agent to stop communicating with Ms H. So it's reasonable she thought the debt was settled in full. RBS hasn't been able to say why the agent told Ms H no further action would be taken, even though the instructions are likely to have come from RBS. It also can't say why it recalled the debt from the agent in 2008 or why it had no contact with Ms H about the outstanding debt until October 2014. RBS has also said it thought Ms H was aware the debt was outstanding, but hasn't been able to say why.

Given all of this, I thought it was understandable Ms H thought the debt no longer existed and that she'd paid it off. So I didn't think it was fair for RBS to use the PPI compensation to reduce Ms H's credit card arrears. I thought it should pay the compensation directly to her. I also asked RBS to update its calculation.

Both Ms H and RBS have responded to my provisional decision. Ms H says she accepts my decision. RBS says it also accepts my decision and will bring its calculation up to date.

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 both RBS and Ms H have accepted my provisional decision, I've reached the same conclusions as set out in my provisional decision and for the same reasons.

my final decision

For the reasons I've outlined, I'm upholding Ms H's complaint. I'm going to ask The Royal Bank of Scotland Plc to update its calculation and to pay compensation to Ms H directly, rather than using it to reduce the arrears on her credit card.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 19 September 2016.

Chloe Wooles
ombudsman