

complaint

Mr K isn't happy with how NRAM plc ('NRAM') has offered to resolve his complaint about two PPI policies attached to two loans he had.

background

Mr K took out four loans with NRAM between 2001 and 2005. Loans 2, 3 and 4 refinanced the previous loans. On Loan 1 and 4 Mr K was also sold a single premium PPI policy.

At some point Mr K got into some financial trouble and entered into an involuntary arrangement ('IVA'). A debt on Loan 4 formed part of that IVA.

Mr K later completed his IVA in 2015.

Mr K then complained that his PPI policies had been mis-sold. NRAM agreed but said because Mr K still had a debt outstanding of around £17,000 which the IVA didn't clear. It calculated that it owed him around £5,300 (after tax) in PPI compensation. So it was going to use that £5,300 to reduce the outstanding debt Mr K has with NRAM.

Mr K's insolvency practitioner confirmed it didn't have an interest in any PPI compensation.

Mr K wasn't happy with this approach. Our adjudicator looked at the complaint and thought the approach NRAM had taken was fair. Because Mr K still disagreed 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.

NRAM has already agreed to settle Mr K's complaint. So I won't be looking into how the policies came to be sold – because that is not in dispute. I will only be looking at whether the approach NRAM has taken is fair.

When a business agrees to settle a PPI complaint we expect it to, as far as possible, put the consumer back in the position they would be in had they not taken a PPI policy.

With a single premium PPI policy attached to a loan this *generally* means a refund of the PPI premium, any interest the PPI attracted and 8% simple interest.

But in Mr K's case NRAM say that they still have a debt after their IVA had completed. NRAM intend to use the PPI compensation from the loans to reduce the debt outstanding on his account.

When Mr K completed his IVA his debts weren't cancelled. It just meant that the creditors party to the IVA agreed not to pursue Mr K legally for the debt. The debt still exists, because it hasn't been paid back.

NRAM told us that at the end of the IVA Mr K still owed it over £17,000. Mr K doesn't have to pay this back and NRAM won't pursue him for this debt.

Mr K had taken advantage of the IVA to protect them from businesses seeking to recover debts he owed. Once the IVA ended debts that formed part of the arrangement could not be actively pursued, although they still existed. Having taken advantage of such protection I would normally say it's fair that any debts a business was still owed after the IVA ended could be reduced by any money the business owes the consumer as compensation for the mis-sold PPI.

NRAM has agreed that it owes Mr K a debt of around £5,300. But Mr K still has an outstanding debt with NRAM of more than £17,000. So, because of what I've already discussed above I think it is fair for NRAM to use Mr K's PPI compensation to reduce the debt left on his account.

my final decision

For the reasons given above, my final decision is that the approach NRAM plc has taken to resolve Mr K's PPI complaint is fair.

If NRAM plc hasn't done so already it should now use Mr K's PPI compensation to reduce the outstanding debt left from his IVA.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 23 April 2018.

Martin Purcell
ombudsman