

complaint

Miss M's complaint is about the mis-sale of a payment protection insurance (PPI) policy and the way Shop Direct Finance Company Limited has used the compensation it offered to put things right.

background

Miss M complained that Shop Direct mis-sold her a PPI policy taken out with a catalogue account in 2004.

Following our involvement, Shop Direct agreed the policy had been mis-sold. But it said it had used the compensation Miss M was entitled to (£1,177.52) against arrears on the account the PPI was bought with. Miss M wasn't happy with Shop Direct using the compensation that way. She wanted it to be paid directly to her.

An adjudicator from this service initially agreed with Miss M that the compensation should be paid to her. That was because they understood the debt on the loan had been sold to a third party. The adjudicator told Shop Direct it couldn't use the compensation to reduce the arrears as it didn't own the debt.

Shop Direct disagreed, saying it had bought back £1,177.52 of Miss M's debt from the third party. So it was the legal owner of that amount of Miss M's debt. In light of that new information, our adjudicator thought it was fair for Shop Direct to use Miss M's compensation to reduce the arrears on her account.

Miss M disagreed with the adjudicator's opinion so the complaint has been passed to me.

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 that it mis-sold PPI to Miss M, so I don't need to look at how the policy was sold.

I've looked at whether it was fair for Shop Direct to use the compensation to reduce the arrears on Miss M's account. I think it was and I'd like to explain why.

Guidance from the Financial Conduct Authority allows a business to use compensation to reduce arrears on a debt *if it has the contractual right to do so*. If Shop Direct didn't own the debt it couldn't use any of the compensation in this way.

But I think Shop Direct has bought back an amount of debt which matches the compensation Miss M was entitled to (£1,177.52). I've seen some of Shop Direct's records which show it bought that debt back in March 2013. And I've seen some of the third party's records which also show it reduced Miss M's debt with them by £1,177.52 in March 2013. This meant Miss M owed Shop Direct £1,177.52 again.

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

As Shop Direct has already used the compensation due to Miss M against the arrears on her account I don't think it needs to do anything more to put things right.

my final decision

For the reasons I've set out above, I think it was fair for Shop Direct Finance Company Limited to set off the compensation it owed Miss M for mis-selling PPI against the debt she owed the business on her account.

I make no further award against Shop Direct Finance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 March 2016.

Helen Liburd
ombudsman