

## The complaint

Mr R complains that The Royal Bank of Scotland Plc ('RBS') did not fairly compensate him in connection with a payment protection insurance ('PPI') complaint.

Mr R has some other complaints with us about his credit cards. Just to be clear that this decision is about the RBS card ending 03.

## What happened

PPI appears to have been sold to Mr R at the same time he took this credit card out in 2003.

It looks as though he may have run into financial difficulties in around 2005. I understand Mr R tried to make a claim on the PPI policy at that time, but the claim was rejected. The PPI policy appears to have been cancelled at around that time as well. According to RBS, the credit card account was closed in 2015 with an outstanding balance.

Mr R complained to RBS about the sale of PPI back in 2019. RBS accepted it had mis-sold the PPI policy and I understand it paid £983.44 to compensate Mr R for that mis-sale.

Sometime later, RBS looked again at Mr R's account. It said it thought the 2005 PPI claim should have been paid. On that basis, it offered to refund what should have been paid for the claim, along with 8% simple interest per year.

On 11 July 2022, RBS ultimately calculated Mr R's total PPI compensation for this card to be £29,114. £17,505.84 of that amount had been calculated as net simple interest to compensate Mr R for the time he'd been out of pocket. RBS also said that there was an outstanding balance on Mr R's credit card. So, it kept £10,698.52 of the compensation back to repay the outstanding debt. It paid £18,415.48 directly to Mr R on 12 July 2022.

Mr R had been in touch with RBS because he didn't think any deductions should have been taken from his compensation. He said RBS had told him that the debt was 'statute barred'. In other words, it was too late for RBS to take any action to recover the outstanding balance on his credit card. I understand RBS later said it made a mistake in telling Mr R the debts were statute barred.

Mr R complained to this service. He didn't think RBS should have deducted anything from the offer of compensation. He said RBS had assured him that it would not take any deductions because the debt was statute barred. He raised several customer service issues with RBS and said he thought he should be compensated for that poor service.

Our investigator looked at the complaint. He said he thought it was fair for RBS to use some of Mr R's compensation to pay off the outstanding balance of the credit card. Mr R did not accept that view and reiterated the customer service difficulties he'd had when he was trying to sort his complaint out.

As Mr R did not agree with our investigator's view, the matter was passed to me for an ombudsman's decision. I issued a provisional decision in this matter because I didn't think the complaint should be upheld. I said:

"...Looking through the file and upon listening to the call Mr R had with our service on 10 October 2023, I am very sorry to hear about the impact all of this has had on Mr R's health.

I have considered all of the issues raised by Mr R very carefully. I know he will be disappointed with my decision, but as things stand, I'm afraid I don't intend to uphold his complaint. I'll explain why.

The first thing I need to make clear is that the offer RBS made to Mr R on 11 July 2022 wasn't because PPI was mis-sold. RBS had already agreed that the PPI should never have been sold to Mr R in the first place and it paid compensation for that back in 2019.

The offer RBS made to Mr R on 11 July 2022 was because it looked again at the rejected PPI claim Mr R made back in 2005. RBS now says this claim should have been paid at that time.

So, I've thought carefully about whether it was fair for RBS to keep some of this compensation to pay back what it said was an outstanding balance on Mr R's credit card.

As I said above, RBS said that in July 2022, there was an outstanding balance of £10,698.52 on Mr R's credit card. It provided us with some of Mr R's account data. Looking at that information, it looks as though Mr R ran into some difficulty paying his credit card in 2005. I can see that Mr R did make quite a few payments towards his balance after that time. But after considering all the data carefully, I'm satisfied there was an outstanding balance when RBS made its offer to Mr R on 11 July 2022.

I know RBS told Mr R the outstanding balance was statute barred and it could not take action to recover it. But even if Mr R's debt was statute barred, that doesn't mean the outstanding balance had disappeared – Mr R would still have owed that money even if RBS had left it too late to take court action to get it back.

Mr R told us that RBS also said it wouldn't recover any money from his compensation. I don't doubt that this is Mr R's honest recollection of the conversation, however it is not clear when RBS said this. But looking at all the paperwork, the offer letter of 17 November 2022 does say that a deduction will be made from the compensation to clear the outstanding credit card balance.

In a situation like this, we generally say that where two people – or a person and a business – owe each other money, it is fair that they each pay what they owe. So, in this case, when RBS calculated Mr R's compensation, it worked out it owed him some money. But as there was still an outstanding balance on his credit card, Mr R also owed RBS some money. In that situation, I think it is fair for RBS to keep back enough of the compensation to pay off the outstanding balance on Mr R's credit card account.

I think that's especially so in this case as RBS decided to pay compensation to Mr R because it thought his PPI claim should have been paid back in 2005. So, if things had gone as they should have done back in 2005, Mr R's credit card balance would have been settled at that time. I think it's unlikely any of the claim would have been paid directly to Mr R.

With all of these things in mind, my provisional view is that it is fair for RBS to keep some of Mr R's compensation back to settle the outstanding balance on his credit card.

I know Mr R feels very strongly that RBS should pay him further compensation for all the trouble he was put to in making a significant number of calls in connection with his complaint. It is clear from listening to the call of 10 October 2023 that dealing with RBS has caused Mr R a great deal of stress. In addition to that, I do appreciate that Mr R would have also spent a lot of time corresponding with RBS trying to get his complaint sorted out.

I've thought really carefully about this aspect of Mr R's complaint, but as things stand, I don't think it would be fair for me to tell RBS to pay any more compensation here. That's because the compensation RBS paid to Mr R is significantly more generous than I would expect. As I said above, RBS calculated net simple interest in this case to be over £18,000 and it paid this amount to Mr R on 12 July 2022. However, RBS would only need to pay simple interest to Mr R where he had been out of pocket because of a mistake made by RBS.

What that means in practice is that RBS would only need to pay simple interest to Mr R from the point his credit card balance was repaid in full. However, in this case, there appears to have been an outstanding balance on the credit card until July 2022.

Mr R told us that he thought simple interest should have accrued on money that was payable to him. But RBS would only need to pay simple interest if Mr R had paid extra to pay off his credit card. I can't say Mr R had to pay extra to pay off the credit card in full because there was an outstanding balance until July 2022. In those circumstances, RBS didn't need to pay simple interest from 2005.

Putting all of that together, RBS appears to have paid Mr R over £17,000 in simple interest from 2005, which is several thousands of pounds more than it needed to pay. There's no suggestion that Mr R would have known RBS had paid a lot more than it needed to when he brought his complaint– I wouldn't expect him to be aware of the intricate details in how RBS calculates compensation in a case like this. I can see why he would have thought RBS's calculation was right.

But as RBS does seem to have paid several thousands of pounds more than it needed to pay, I don't think it would be fair for me to make a further award to compensate Mr R for the customer service issues he may have encountered when pursuing his complaint.

In the call between Mr R and our service on 10 October 2023, he referred to the tax RBS had deducted from the simple interest. HM Revenue and Customs expects RBS to deduct tax from simple interest. However, if Mr R doesn't need to pay tax, he may be able to claim that money back from HM Revenue and Customs.

Putting all of this together, my provisional view is that it wouldn't be fair for me to tell RBS to take any further action to put things right for Mr R."

I asked the parties to provide me with any further information or evidence they wanted me to consider before I issued a final decision. RBS said it had no further comments. In response, Mr R spoke to our service by phone. I have listened to a recording of that call made on 2 November 2023. I have also considered Mr R's email of 2 November 2023.

### **What I've decided – and why**

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

I do appreciate Mr R feels very strongly about his case, but I am afraid after considering the additional representations at some length, I have not upheld the complaint.

I note from Mr R's email of 2 November 2023 that he said RBS "should and could compensate [him] for the trauma caused due to them mis-selling [PPI]". However, I need to make clear that the issue before me is not about whether PPI was mis-sold to Mr R. RBS issued its final response about the mis-sale back in 2019. The issue before me is about the compensation RBS paid to Mr R in 2022 after it said his PPI claim was wrongly rejected in 2005.

I have listened to the telephone call between Mr R and this service on 2 November 2023. I note that Mr R said it was not for me to determine whether RBS had paid him more than it needed to. I also note from Mr R's email that he said he was seeking compensation for the time he'd taken to pursue his complaint and for the upset RBS caused him.

I have no reason to doubt what Mr R told us about the customer service issues he experienced. However, when I am considering whether to make an award, I must determine what I consider to be fair compensation after taking account of all the circumstances in the complaint. I'm satisfied that the amount of compensation RBS already paid to Mr R is highly relevant and it is something I should consider when deciding a fair outcome to this matter.

I do appreciate what Mr R told us about the calls he said he'd made to RBS and that he was put to some upset and inconvenience in pursuing his complaint. However, I explained in my provisional decision why I thought RBS had refunded considerably more than it needed to. When balancing this against the customer service issues Mr R had with RBS, I am not satisfied that it would be fair to require RBS to pay further compensation here.

I am sorry that Mr R will be disappointed with my decision, but for the reasons set out above and in my provisional decision, I have not upheld the complaint. I do not require RBS to take any further action in this matter.

### **My final decision**

I do not uphold this complaint about The Royal Bank of Scotland Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 5 December 2023.

Nicola Bowes  
**Ombudsman**