

## **complaint**

Mr J says that the bank mis-sold him a credit card payment protection insurance (PPI) policy.

## **background**

Mr J bought the PPI policy in 2003 when he took out a credit card by post. The cost of the policy was 70p for each £100 he owed on his credit card. If he'd successfully claimed on the policy, each month it would have paid out 10% of what he owed on the card for up to 12 months.

Mr J was 43 years old when he took it out. He says he would have got full sick pay for six months, and 75% of his pay for another six months, if he was off sick. He says he took out the card for general spending. And he's told us he had a serious asthma condition which had caused him to be off work previously when he took the policy.

Our adjudicator upheld the complaint. She said the bank should have made clear that the policy was unlikely to cover a medical condition Mr J already had. But they didn't. And the adjudicator thought Mr J wouldn't have bought the policy if he'd been aware of this.

The bank didn't agree. They said that Mr J completed a postal application without their involvement. And the form says it was up to Mr J to make sure he'd read and understood the terms and conditions. The bank said they clearly explained what the policy didn't cover. So they think it was up to Mr J to decide if he wanted to go ahead, knowing he wouldn't be covered for his asthma. The bank also added that Mr J would have been covered for any other condition he needed to claim for.

## **my findings**

I've considered everything that Mr J and the bank have told us about what happened to decide what is fair and reasonable in this complaint.

We've explained how we handle complaints about PPI on our website and I've used this approach in Mr J's case.

I've decided to uphold Mr J's complaint for the following reasons.

The policy didn't cover medical conditions that a person had when they bought the policy. Mr J had asthma when he took the policy. So I think the policy wouldn't have covered the most likely reason he would have had to claim on it. That means the policy was worth a lot less to him. And the bank should have clearly pointed it out to Mr J – so he could decide if he wanted the policy or not.

The bank says it was enough that the information about medical conditions not being covered was clearly set out within the policy. But I don't agree. I don't think Mr J would have thought he needed to read the full policy document. And at the time of the sale it was good industry practice for a bank selling PPI to point out the main things that the policy didn't cover in relation to accident, sickness or unemployment.

The credit card application form doesn't tell Mr J about medical conditions not being covered. And this information was not set out anywhere else where Mr J is likely to have spotted it. Instead, the application form says that the PPI is designed to protect the credit card payments if Mr J died, had an accident, was off work sick or lost his job.

So, I don't think Mr J would have realised that any medical conditions he already had wouldn't be covered.

If the bank had made Mr J aware of this important aspect of the policy, I don't think he'd have taken it out. This is because he'd have realised he couldn't claim for his asthma. The policy did provide quite a good level of benefit. But I think it would have been less important to Mr J once he'd realised he couldn't claim for the condition most likely to keep him off work.

This is why I've decided to uphold this complaint.

### **fair compensation**

The bank should put Mr J back in the financial position he'd be in now if he hadn't taken out PPI. The policy should be cancelled if it hasn't been cancelled already and:

- A. The bank should find out how much Mr J would owe on his credit card if the policy hadn't been added to it.

So, they should remove the PPI premiums added, as well as any interest charged on those premiums. They should also remove any charges that were caused by the mis-sale of the PPI – as well as any interest added to those charges.

The bank should then refund the difference between what Mr J owes and what he would have owed.

If Mr J made a successful claim under the PPI policy, the bank can take off what he got for the claim from the amount they owe him.

- B. If – when the bank works out what Mr J would have owed each month without PPI – Mr J paid more than enough to clear his balance, the bank should also pay simple interest on the extra Mr J paid. And they should carry on paying interest until the point when Mr J would've owed the bank something on his credit card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.<sup>†</sup>

- C. The bank should tell Mr J what they've done to work out A and B.

<sup>†</sup> HM Revenue & Customs requires the bank to take off tax from this interest. The bank must give Mr J a certificate showing how much tax they've taken off if he asks for one.

### **my final decision**

I uphold Mr J's complaint.

The bank must pay Mr J the compensation I've described.