

The complaint

Mrs J says Financial Insurance Company Limited (FICL) mis-sold her a payment protection insurance (PPI) policy.

What happened

This complaint is about a PPI policy taken out in connection with a store card in 2000.

Our adjudicator recommended the complaint should be upheld, because he didn't think Mrs J would've bought the policy if she'd had better information about its cost and benefit. FICL disagreed with the adjudicator's opinion so the complaint has been passed to me.

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. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my conclusions on the balance of probabilities – that is, what I consider is most likely to have happened in light of the available evidence and the wider surrounding circumstances.

We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Mrs J's case.

I've decided to uphold Mrs J's complaint because I think if better information about the policy's costs and benefits had been provided by FICL, it's unlikely Mrs J would have taken it out.

The information FICL gave Mrs J about the cost and benefit wasn't as clear as it should have been. I say this because although Mrs J may have been told the cost was £1.00 per £100 of the outstanding balance, I think it's unlikely she would've been told that the premium would be added to her store card balance and could attract interest. I also think it's unlikely that FICL pointed out that the benefit was actually less than 15% in real terms, as Mrs J would have to continue paying the premium while receiving the policy benefit.

I think this would have mattered to Mrs J because at the point of sale she's said she was entitled to full pay from her employer if she was off sick for six months, followed by half pay for the next six months. She's also told us she had savings worth between three and six months of her pay. So she doesn't appear to have had a strong need for the policy, given she had other ways to meet the store card repayments for a while without it.

FICL suggests Mrs J should provide proof of the sick pay she says she was entitled to, and the savings she had. But I'm mindful that this sale took place many years ago. So I don't think it's reasonable to expect Mrs J to be able to provide the detailed evidence FICL is seeking. Mrs J has provided details of her employer and the length of time she'd been in her job. Given the nature of her employment, and how long she'd been doing her job I think it's

reasonable for me to accept what she's said about the sick pay she was entitled to. I also think it's reasonable for me to accept that she had the amount of savings she's referred to.

So I remain of the view that Mrs J wouldn't have wanted to take out the policy if she had better understood its cost and limited benefit to her.

So I think Mrs J has been disadvantaged as a result of FICL's failings in this case, because I don't think she would have taken out the policy if better information had been available.

Putting things right

FICL should put Mrs J in the financial position she'd be in now if she hadn't taken out PPI.

A. FICL should find out how much Mrs J would have owed when she closed her store card account if the policy hadn't been added.

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

FICL should then refund the difference between what Mrs J owed when she closed her account and what she would have owed if she hadn't had PPI.

If Mrs J made a successful claim under the PPI policy, FICL can take off what she got for the claim from the amount it owes her.

B. FICL should add simple interest on the difference between what Mrs J would have owed when she closed her account from when she closed it until she gets the refund. The interest rate should be 8% a year. †

C. If – when FICL works out what Mrs J would have owed each month without PPI – Mrs J paid more than enough to clear her balance, FICL should also pay simple interest on the extra Mrs J paid. And it should carry on paying interest until the point when Mrs J would have owed FICL something on her store card. The interest rate should be 8% a year. †

D. FICL should tell Mrs J what it's done to work out A, B and C.

If the lender has already repaid any commission amount to Mrs J that relates to this PPI sale, that sum can be deducted by FICL from the redress shown above.

† HM Revenue & Customs requires FICL to take off tax from this interest. FICL must give Mrs J a certificate showing how much tax it's taken off if she asks for one.

My final decision

My decision is that I uphold this complaint. I direct Financial Insurance Company Limited to pay compensation to Mrs J in line with the instructions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 3 March 2020.

Caroline Stirling
Ombudsman