

Complaint

Mr M says The Royal Bank of Scotland Plc (“RBS”) mis-sold him a payment protection insurance (“PPI”) policy.

Background

Mr M bought the policy in 2000 at the same time as taking out a credit card.

Our adjudicator didn’t uphold the complaint. Mr 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.

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 Mr M’s case. Having done so, I’ve decided not to uphold Mr M’s complaint. I will now explain my reasons.

Mr M says he applied for a credit card to help with his finances. In summary whilst Mr M has said he was in a stable position, he has also said he made it clear he was struggling with his finances and wanted to minimise cost. He has told us he was informed the policy would help with approval for the credit card he was applying for. As he was keen to have use of the credit card, he says he agreed to have the policy.

Mr M has said the sale took place over the phone. But RBS says it was sold in-branch and has provided a copy of Mr M’s credit card application form which it says shows that it was a branch sale. Looking at the completed credit card application form, I can see Mr M’s details are all handwritten – including personal details and details relating to his financial circumstances. The application form also includes a branch code. So, based on what I’ve seen I think it is more likely than not the sale took place in-branch.

In order to apply PPI to Mr M’s account RBS had to make it clear that the policy was optional, and it had to gain his consent before applying PPI to his account. Looking closely at Mr M’s credit card application form, under the section “PAYMENT PROTECTION”, it reads “Payment Protection Insurance is designed to protect your Royal Bank of Scotland Credit Card payments in the event of death, accident, sickness or involuntary unemployment (including redundancy). We strongly recommend you take out this cover. For cover just tick this box.” On Mr M’s application form, there is a tick indicating he wanted it. Mr M also signed the application form agreeing to its contents.

I’ve noted that on the application form, Mr M also had the option of selecting whether he wanted other optional benefits, such as Card Registration. But Mr M didn’t select this. This suggests Mr M was aware of the fact that he had a choice when it came to any additional products listed on the application form. So, on balance, I think it’s more likely than not that Mr M agreed to the PPI knowing that he had a choice.

I've considered what Mr M has said about the conversation with the advisor at the time of the sale. In order for me to conclude that Mr M was told he had to take out the PPI by the advisor, I would need to see persuasive evidence to support this. The difficulty I have is that I can't be sure what was discussed between Mr M and the advisor when the policy was sold. I'm also mindful that these events took place many years ago, and that exact recollections of what happened can fade over time. Based on what I've seen, I think it's more likely than not that Mr M agreed to take out the PPI knowing he had a choice and I haven't seen anything persuasive to suggest Mr M was pressured by the advisor into taking the PPI.

Mr M has said that RBS recommended the PPI to him. RBS on the other hand, has said that it didn't. I don't know what was discussed between Mr M and RBS when they spoke in the branch. So I have thought carefully about what Mr M has said, what I know generally about RBS sales of PPI and the available information. Having done so, while the application contained what I consider to be a general statement about recommending an applicant take out PPI, I haven't seen enough to suggest that RBS made a detailed assessment of Mr M's individual circumstances or tailored a recommendation when it sold Mr M the policy. So I don't think that it recommended the PPI to him. This means RBS didn't have to check if it was right for Mr M. But it did have to make sure he got the information he needed to decide if it was right for him.

It's possible the information RBS gave Mr M about the PPI wasn't as clear as it should have been. But Mr M would have been eligible for cover and doesn't appear to have been affected by any of the main things the policy didn't cover – such as pre-existing medical conditions. And I haven't seen enough evidence to suggest the policy wasn't affordable for him at the time of sale.

Mr M says he would have been entitled to six months' full pay, followed by six months' half pay from his employer if he was too unwell to work and his job would have come with redundancy package.

Having thought about what Mr M has told us about sick pay, I don't think this means the PPI wouldn't have been useful for him. I say this because, the PPI would have paid out in addition to the sick pay he would have received from his employer and potentially for longer – up to twelve months. The PPI also would have paid a benefit if he was ever made redundant for up to twelve months, in addition to any redundancy payment he may have received from his employer. And it would have paid out in the unfortunate event of death. He's also told us he didn't have any savings or other means he could have used to cover his credit card payments if he ever fell on hard times.

So overall, I think Mr M could have found the policy useful if he ever became too unwell to work or lost his job. And I don't think any better information would have put him off from taking out the policy.

Based on what I've said above, I don't think the PPI was mis-sold. Which means RBS doesn't have to pay back all of the cost of the PPI to Mr M.

But RBS has paid back *some* of the cost of the PPI to Mr M because:

- RBS got a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mr M about that. Because RBS didn't tell Mr M, that was unfair.

- To put that right, RBS has paid back the amount of commission and profit share that was above 50% of the PPI premium - and I think that is fair in this case.

My final decision

For the reasons set out above, I don't uphold the complaint. So The Royal Bank of Scotland Plc does not have to pay back all of the cost of the PPI to Mr M.

But The Royal Bank of Scotland Plc does have to pay back to Mr M any commission and profit share it got that was more than 50% of the PPI premium. I understand it has already done this, so I don't award any further compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 June 2021.

Donna Parsons
Ombudsman