

## **The complaint**

Mr W complains that Webbs Motor Caravans Ltd ('WMCL') did not fairly compensate him after it mis-sold payment protection insurance ('PPI').

## **What happened**

On 8 June 2006, Mr W bought a motorhome through WMCL. Finance for the purchase was provided by a third-party business. WMCL sold PPI to Mr W on the same date.

The policy sold to Mr W was a single premium policy. That means he had to borrow extra on top of his loan to pay for the PPI. He also had to pay interest on the cost of that policy. The agreement was set up for 120 months. The cost of the PPI policy was £3,154.62 and the expected interest on the PPI was £1,656.18. Altogether, Mr W would have to pay £4,810.80 for PPI.

Mr W told us that he stuck to the terms of the agreement and the loan was repaid as planned.

Sometime later, Mr W complained to the third-party business about the sale of PPI. The third-party business offered to pay back to Mr W some of the commission he had paid for the PPI. But it said it was not responsible for the sale. It forwarded the mis-sale complaint to WMCL.

Mr W says he did not receive a substantive response from WMCL and so he brought the mis-sale complaint to this service. Our adjudicator looked at the complaint and thought it should be upheld. WMCL agreed with our adjudicator's view. It offered to pay £2,500 to Mr W in full and final settlement of the complaint.

Mr W did not accept WMCL's offer. Another of our adjudicators looked at the matter and agreed that the offer was not in line with what this service would usually expect. He wrote to WMCL to say he didn't think its offer to Mr W was fair. He said the third-party business may be able to assist WMCL in recalculating its offer and our adjudicator also offered to provide assistance.

No response has been received from WMCL and so the matter has been passed to me to make a final decision.

## **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.

The parties agree that PPI was mis-sold. That means I don't have to consider what happened at the point of sale. I'm just looking at whether Mr W has been fairly compensated for that mis-sale.

After taking account of all the information before me, I agree with our adjudicator that WMCL did not fairly compensate Mr W for mis-selling PPI. I'll explain why below.

In making this decision, I must apply the rules the Financial Conduct Authority ('the FCA') set for this service. Those rules are known as the DISP rules and they can be found online in the FCA's handbook.

As WMCL accepts it mis-sold PPI to Mr W, in so far as it is possible to do so, it would need to return him to the position he'd be in now if PPI had never been sold. DISP App 3.7.3 E says that a business needs to refund everything a consumer paid for PPI, and to pay simple interest.

In a case like this, I would expect WMCL to work out and pay to Mr W the difference between what he actually paid each month for the loan and what he would have paid each month without the PPI. It would then need to add 8% simple interest to each repayment from the date Mr W paid it until the date he gets that money back. The purpose of paying 8% simple interest is to compensate Mr W for the time he was out of pocket because of the PPI policy.

It looks as though the monthly cost of PPI may have been £40.09, so WMCL will need to work out 8% simple interest on each of those repayments from when Mr W paid them until he gets the money back. I know that WMCL offered to pay £2,500 to Mr W to settle the complaint. However, I have not seen anything to explain how it arrived at that figure, which doesn't seem to be in line with the approach set by the FCA.

I can see the third-party business has already refunded some of Mr W's PPI premiums. WMCL can deduct that refund from what is now owed to Mr W. It may wish to liaise with the third-party business to establish how much has already been paid to Mr W.

### **Putting things right**

Mr W borrowed extra to pay for the PPI, so his loan was bigger than it should have been, and he paid more than he should have each month. So Mr W needs to be put in the financial position he would be in now if he hadn't taken out PPI and get back the extra he paid.

So WMCL must:

- Work out and pay Mr W the difference between what he paid each month on the loan and what he would have paid without PPI.
- Add simple interest to the extra amount Mr W paid from when he paid it until he gets it back. The rate of interest is 8% a year. †
- If Mr W made a successful claim under the PPI policy, WMCL can take off what he got for the claim from the amount owed to him. It can also deduct any amounts the third-party business has already paid regarding commission and profit share.

† HM Revenue & Customs requires WMCL to take off tax from this interest. WMCL must give Mr W a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

I have upheld the complaint to the extent set out above and Webbs Motor Caravans Ltd will need to put things right as I have set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 21 September 2022.

Nicola Bowes  
**Ombudsman**