

## **The complaint**

Mr and Mrs A have complained that The Co-operative Bank Plc mis-sold them a mortgage payment protection income policy in 2000.

## **What happened**

The PPI policy was set up in 2000, around the same time as Mr and Mrs A were arranging their mortgage. It provided cover equally for both Mr and Mrs A. Originally it was set up to provide unemployment cover only which was free of charge for the first 12 months.

Co-op partly upheld the complaint. It said that the unemployment element of the cover was unsuitable for Mr A as a self-employed person and therefore offered to refund the premiums for the unemployment cover for Mr A only.

I wrote a provisional decision earlier this month in which I explained why I was minded to uphold the complaint. I invited the parties to provide any further evidence or comments. Mr and Mrs A responded with some further points. Co-op did not provide any further submissions.

## **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.

As explained in my provisional decision, I'm only looking at how the policy was sold, rather than how the policy was managed after that point.

Co-op doesn't have a copy of the PPI application form. It puts this down to the passage of time but says that one must have been completed because the insurer would not have been able to set the policy up without one. However, the available evidence contradicts that.

Co-op says that Mr and Mrs A's election to have PPI is recorded on the mortgage application form. However, the form they are referring to is an earlier form for a mortgage on the purchase of a house that fell through. On the mortgage application form for the house they actually went on to buy (and which they still live in), they both signed to decline PPI on 14 December 1999.

On 28 February 2000 Co-op sent Mr and Mrs A a letter informing them they were entitled to free unemployment cover for 12 months. It requested they complete the enclosed PPI application form to enable the documents to be issued. Mr and Mrs A never returned the form.

On 13 March 2000 Co-op wrote to them again confirming that it had not received the PPI application form. But it then went on to say, that being the case, it assumed they required the free unemployment cover only. It had therefore set up the cover to be 50/50 for Mr and Mrs A with the inception date being the start date of the mortgage.

Therefore, I disagree with Co-op's view that it was Mr and Mrs A's choice to take out PPI. It is evident that the policy was set up without the filling in of an application form and that Mr and Mrs A didn't provide their consent to having the policy.

I can understand Mr and Mrs A saying they feel the policy was imposed upon them. As such, it's reasonable that they sought to make the best use of it when the need arose. So I'm not persuaded that the later amendment of the policy or the successful claim by Mr A indicates that they wanted the policy all along or that they originally agreed to buy it. If the PPI hadn't been set up without any input from Mr and Mrs A, they wouldn't have had a policy to amend. As it was, they were just making the best of it.

I do have some other concerns about whether Co-op provided enough information about the policy. Because there's an issue around Mr A's eligibility based on him not paying class 1 or class 2 national insurance contributions which would have been of interest to Mr and Mrs A. However, I'm satisfied that the failure to make it clear that the policy was optional is a sufficient ground in itself to uphold the complaint.

### **Putting things right**

Co-op should put Mr and Mrs A in the financial position they'd be in now if they hadn't taken out PPI. So Co-op should:

- Pay Mr and Mrs A the amount they paid each month for the PPI
- Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 8%.†
- Co-op can take off the value of Mr A's successful claim from the amount it owes them.

† HM Revenue & Customs requires Co-op to take off tax from this interest. Co-op must give Mr and Mrs A a certificate showing how much tax it's taken off if they ask for one.

### **My final decision**

My decision is that I uphold Mr and Mrs A's complaint and require The Co-operative Bank Plc to pay fair compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs A to accept or reject my decision before 19 January 2023.

Carole Clark  
**Ombudsman**