

## **complaint**

This complaint concerns a regular premium payment protection insurance ("PPI") policy, taken out in connection with a car loan of just under £6,000 in October 2008. The sale took place during a meeting between Miss T and The Car People Limited ("The Car People"). The policy provided accident, sickness, unemployment and life cover. Miss T complains that The Car People mis-sold the policy.

## **background**

After The Car People rejected Miss T's complaint she referred it to this service. Our adjudicator considered the matter and recommended that the complaint be upheld. The Car People did not agree with the adjudicator's view and requested that the case be referred to an ombudsman for a final decision.

In September 2013 I considered the case. As I was in receipt of additional evidence, in fairness to the parties, I issued a provisional decision. In that provisional decision I indicated that I was also minded to uphold Miss T's complaint. I invited the parties to let me have any further representations they may have.

## **my findings**

I have attached an extract of my provisional decision at the end of this final decision. In it I outlined why I was minded to uphold Miss T's complaint. I explained that I had carefully considered all of the available evidence and arguments, in order to decide what was fair and reasonable in the circumstances. I had also taken into account relevant regulatory rules as well as the law and good industry practice at the time the policy was sold. I also explained that if there were shortcomings in the way in which the business sold the policy, I then needed to consider whether Miss T is worse off as a result; that is, would she have done something different – for example, not taken out the policy – if there had been no shortcomings.

In summary, I explained that I was satisfied that whilst there may have been a number of shortcomings in the way in which the policy was sold the failure to make clear its costs to Miss T was sufficient for me to uphold her complaint.

I was persuaded that in her circumstances at the time she would not have purchased the PPI had she been properly informed about its costs.

I have reconsidered all the evidence and arguments from the outset in order to decide what is fair and reasonable in the circumstances of this complaint. As no further evidence has been submitted, I have reached the same conclusion as before. That is, that there were shortcomings on the part of The Car People in meeting Miss T's information needs (in particular in relation to the costs of the policy). And I am satisfied that but for those failings Miss T would not have bought this policy.

It follows that I uphold Miss T's complaint.

*redress*

I require that Miss T be put back in the position she would have been in now if she had taken out the loan without the PPI policy. The PPI policy should be cancelled if it has not been cancelled already and The Car People Limited should:

- Pay Miss T the value of the premiums paid from the date of commencement to the cancellation date.
- Add interest calculated at 8% simple per year<sup>†</sup> on the value of each premium, from the date it was paid up to the eventual settlement date.

I also direct The Car People to provide a history of premiums paid and set out the details of the calculations in writing for Miss T.

<sup>†</sup> – This part of the compensation may be subject to income tax. The treatment of this part of the compensation in Miss T's hands will depend on whether The Car People has deducted basic rate tax from the compensation and Miss T's financial circumstances. More information about the tax position can be found on our website. Miss T should refer back to The Car People if she is unsure of the approach it has taken and both parties should contact HM Revenue and Customs if they want to know more about the tax treatment of this portion of the compensation.

**my final decision**

I determine this complaint in favour of Miss T and The Car People Limited should pay her fair compensation in line with the redress I have set out above.

Liz Forbes  
**ombudsman**

**extract from my provisional decision**

*In this case I am satisfied that The Car People did recommend the PPI policy to Miss T so it had to take adequate steps to ensure the PPI policy was suitable. And, if applicable, highlight any shortcomings in its recommendation. When considering its recommendation it should have taken into account Miss T's personal circumstances including the fact that she was relatively young and indeed only just met the age eligibility criteria for the policy.*

*In other words, The Car People had to both ensure that the policy was suitable for Miss T's needs and provide her with information about it which was clear, fair and non-misleading.*

*After careful consideration, I am open to the possibility that there may have been a number of shortcomings in the way the PPI was sold to Miss T but for the purpose of this decision I am currently persuaded that this complaint should be upheld because of failings in the provision of information to Miss T. She says she never knew she was paying for the PPI and should have been given a choice and notes that her repayments would have been cheaper without it.*

*The Car People have provided us with a number of documents from the time of the sale.*

- **The quotes document**

*Although this does not include Miss T's name I note that the vehicle registration mark matches the car she bought and so I am satisfied that this relates to her sale. It is a typed document but contains a number of handwritten figures. I don't find this document very clear but accept that after careful reading it contains the figures for the monthly repayment of the loan without PPI and alternative quotes with PPI (each with a different level of cover).*

*I note that there is an endorsement on this document which appears to have been completed by The Car People representative as follows:*

*"Rang customer's dad first thing with decision. He will guarantee if needed."*

*I also note that this document is not signed by Miss T.*

- **Demands and Needs Statement**

*According to this Miss T indicated that she had adequate life cover but would not have cover for accident, sickness or unemployment. The Car People representative has recommended PPI with different levels of cover and I see that it appears that Miss T has opted to take life, accident, sickness and unemployment PPI cover and Guaranteed Asset Protection ("GAP") cover.*

*I note that this document is signed by Miss T but it includes no reference to the cost of the cover.*

- **The customer checklist**

*This includes seven points for her to confirm agreement. This is signed by her but includes no reference to the cost of the policy.*

- **Your Payment Protection Insurance**

*This contains three points about the insurance and has been signed by Miss T. There is no reference to the actual cost but the second point states:*

*“Your premium has been added to the amount provided under your credit agreement. As such interest will be payable on it.”*

*This policy was not a single premium policy – it was to be paid for by separate, regular monthly payments in addition to the loan repayment. As such this second point was wholly inaccurate and misleading. I note that in our questionnaire Miss T indicated that she was unsure whether she was paying for the PPI by a single premium added to her loan or regular payments. I do not find it surprising that she may have been confused, given this note in this document.*

- **Handover checklist**

*This document, signed by Miss T contains 22 check points, two of which make some reference to insurance. It does not include any reference to the cost of the PPI.*

- **Credit Agreement**

*Miss T has signed the credit agreement in only one place for the loan. I accept that after the signature in what can only be described as “the small print” which relates to the details of the insurance products, the monthly and total cost of the PPI is referred to. However the front page (before the signature) doesn’t mention PPI. It includes a number of figures including £6463 as the cash price less a deposit of £700. It also mentions a total charge for credit at £2160 and outlines the cost of the acceptance fee, the credit facility key and the option fee. In other words before the point of signature PPI is not mentioned in this key document although other financial information is.*

- **Protecting you and your investment sheet**

*This document outlines four available policies – mechanical breakdown, recovery, GAP and PPI. I note it is signed by Miss T and that through ticks she appears to have accepted everything except the recovery product. I also note that the costs of the mechanical, recovery and GAP insurance have been inserted into the cost boxes beneath each product – but not for the PPI. The cost box for PPI is blank.*

*In summary we have been provided with seven documents from the point of sale of which six were signed by Miss T. There was a lot of documentation and a lot of signing for Miss T. I am persuaded that this would have been an unfamiliar process and experience to Miss T given her age and what she tells us about not being sure what to ask as this was her first ever loan.*

*Only one of those signed documents included the cost of the PPI (the credit agreement) and I am not persuaded that this was presented clearly or fairly. It was included in the small print after the signature. In the document where the cost of the policy could have been made clear (the "Protecting you and your investment" sheet) the cost box for PPI is left blank whereas the cost of other products was included. Additionally, there was the error in the "Your payment protection insurance" document which indicated that this was a single premium policy and that the premium would be added to the loan and accrue interest which was not, in fact, the case.*

*I mention above that I am open to the possibility that there may have been a number of shortcomings on the part of The Car People. For example when assessing the suitability of the policy did The Car People adequately consider whether it was affordable for Miss T? I note the comment on the quotes document – The Car People was aware that Miss T's father would act as guarantor. This suggests that there may have been some question about the affordability of the loan. The PPI was an additional product on top of the loan – if there were questions about her ability to repay the loan, were there similar questions asked by The Car People about the PPI when assessing its suitability for Miss T? I have not deemed it necessary to come to a conclusion on whether or not the policy was suitable for Miss T or whether it was presented as optional to her (she says she didn't know she was paying for it) because I propose to uphold the complaint because I am not satisfied that the information provided to her was clear or fair so she could make an informed decision.*

*Miss T was a young consumer taking out her first loan. The Car People was obliged to draw the significant features of the policy (of which cost is one) to her attention through clear, fair and not misleading information so she could make an informed choice.*

*I have outlined above at length how the costs were presented in the documentation I have seen. I appreciate that the sale took place during a meeting and so it seems likely that there would have been some discussion about the cost of the PPI. But on balance, based on the evidence before me I am not currently persuaded that that information was provided in a clear and fair way. And I am satisfied that had The Car People clearly outlined the costs to her so she could make an informed decision, Miss T would not have chosen to take out the policy because it appears to me that the cost of the policy mattered a lot to her:*

- Her father was apparently willing to stand as guarantor suggesting that managing repayment of the loan may have been a concern.*
- She told us in her questionnaire that she is unhappy with the PPI because the loan repayments would have been cheaper without it.*
- This policy cost £23.12 per month on top of Miss T's loan repayments which I understand were around £122 per month. Over the five year term of the loan the total cost of the policy would have been £1,387.20 to purchase a car costing £6,463. The loan she took out was for approximately £5990 plus interest. The cost of the PPI (the monthly premium and the total cost) seems to me, in Miss T's circumstances, to have been significant (adding almost 20% to the monthly repayments).*

*So on balance I am persuaded that in Miss T's circumstances at the time, keeping costs as low as possible would have been important and had she been given clearer information about the cost, I currently find it more likely that she would have declined the policy.*