

complaint

Mrs M says that Creation Consumer Finance Ltd (Creation) mis-sold her a payment protection insurance (PPI) policy.

background

In 2009, Mrs M took out a £10,050 loan during a telephone conversation. At the same time, Creation sold her a PPI policy. The PPI policy offered Mrs M life, hospitalisation and personal accident cover.

Our adjudicator upheld Mrs M's complaint. She found that Creation shouldn't have sold the policy to Mrs M without pointing out to her that it wouldn't meet her needs because of her health problems. Creation disagreed. It said it gave Mrs M enough information about the policy exclusions so that she could make an informed choice.

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 Mrs M's case.

I've decided to uphold Mrs M's complaint.

Based on the evidence I've seen I don't think Creation recommended the policy to Mrs M. This means it didn't have to make sure the policy was right for her needs and circumstances. But it did have to give Mrs M enough clear information about the policy so that she could make an informed decision about whether she wanted to buy it.

The policy didn't cover medical conditions that a person had when they bought the policy. Mrs M had a number of health problems when she took out the policy. So I think the policy wouldn't have covered the most likely reason she would've had to claim on it. That means the policy was worth a lot less to her. Creation should've clearly pointed this out to Mrs M, so she could decide if she wanted the policy or not. And I don't think Creation did that well enough.

Creation has given us a recording of its sales calls with Mrs M and I've listened to them. The sales advisor told Mrs M that the policy had exclusion's and that "*generally you would not be covered for any pre-existing medical conditions.*" But there was no further discussion or explanation about it. And the sales advisor didn't pause to check Mrs M's understanding of the information she was being given.

The sales advisor didn't tell Mrs M that the policy didn't provide hospitalisation cover where the claim related to any pre-existing medical condition (PEMC) unless a person has "*been symptom free and has not consulted a doctor or received treatment for the condition in the 24 months prior to your claim.*" And didn't tell Mrs M benefit wouldn't be paid for "*any claim due to or arising from any pre-existing medical condition – any condition, injury, illness, disease, sickness or **related condition and/or associated symptoms** whether diagnosed or not.*" So I don't think Creation made the extent of this exclusion clear to Mrs M.

Creation says Mrs M would've been given the policy summary and it was her responsibility to review the information within this document to decide whether the policy was right for her. But Creation has also told us that the policy summary would've only been sent to Mrs M *after* she'd agreed to take out the policy.

Even if I accept Mrs M did see the policy summary, I don't think the exclusions relating to PEMC's were made clear to her. I accept that the policy summary does mention that PEMC's are excluded under the policy. But this was in small closely worded text and in small type. So I think it could easily have been missed by Mrs M. Even if Mrs M did see this document and the exclusion relating to PEMC's it would not have made clear to her the extent of this exclusion.

The policy document, which Creation has not suggested would've been available to Mrs M at the point of sale, includes within the definition of a pre-existing condition "***related conditions and / or associated symptoms***". And while Mrs M may have been sent this afterwards she would only have been able to establish the exclusion by cross-referencing the definitions section of the policy document with that relating to the exclusions.

I don't think this was good enough to meet her information needs. In any case, it appears Mrs M made her decision to take the policy out during her phone call with Creation. So it was at that point her attention should've been drawn to the policy exclusions so that she could make a properly informed choice.

It seems to me this exclusion is something that would've been important to Mrs M and would've affected her decision to take out the policy. I say this because Mrs M has told us she had a chronic condition before she took out the policy. Mrs M's medical condition was serious, likely to worsen and could lead to other conditions. So I think it would've been difficult for Mrs M to make a claim. And I think when she agreed to take out the policy, given the nature of her condition, she might well have thought any future stay in hospital could well relate to her PEMC or something related to it.

In summary, if Creation had made Mrs M aware of this important aspect of the policy, I don't think she'd have taken it out. This is because she'd have realised she couldn't claim for her medical conditions. This means she's lost out because of what Creation did wrong when it sold the policy and it should put this right

I recognise the policy also provided life and personal accident cover. But in order to benefit from this Mrs M would need to die or lose her sight or a limb (or lose use of a limb) because of an accident. So I think she might have thought the circumstances in which she was likely to benefit from these elements of the cover were limited.

what Creation should do to put things right

Creation should put Mrs M in the position she'd be in now if she hadn't taken out PPI. The policy should be cancelled, if it hasn't been cancelled already, and Creation should:

- Pay Mrs M the amount she paid each month for the PPI
- Add simple interest to each payment from when she paid it until she gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on†.

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

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

my final decision

For the reasons I've explained, I've decided to uphold Mrs M's complaint and direct Creation Consumer Finance Limited to pay her compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 18 February 2016.

Sharon Kerrison
ombudsman