

complaint

Ms L complained that Leeds City Credit Union Limited ("LCU") mis-sold her payment protection insurance ("PPI") alongside a loan.

background

When our adjudicator considered the case, she reviewed the sales of PPI that took place alongside a number of loans that Ms L took out with LCU. She explained why she thought that the PPI was mis-sold with the January 2007 loan, but not with the loans in May 2005, April 2006 or August 2007.

LCU did not agree with our adjudicator's findings about the January 2007 loan. It provided further evidence of Ms L's application and asked us to review the case.

Because this complaint has been with our service a long time, it has been passed to me to make an ombudsman's decision, rather than issuing a further adjudication view.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. We have set out our general approach to complaints about the sale of payment protection insurance on our website and I have taken this into account in deciding Ms L's case

Having considered this case with care, and having reviewed the additional information that LCU has given us, I think that this complaint should still be upheld. I have explained my reasons below.

Ms L has told us that she was sold the PPI during meetings to take out the loans, but LCU has told us that its loans-service was provided by post, not face to face. In the end, I don't think this affects my decision.

First I have checked whether Ms L was given any advice about taking the policies. I can see that the paper PPI application form that LCU used says:

"Leeds City Credit Union do not provide advice as part of this application form...."

So on balance, I am satisfied that the policies applied for on paper were not recommended to Ms L, but that she made up her own mind about whether to take them.

The sale of the loan in January 2007 was not made on paper but was made via the internet. But I can see that the application form – a sample copy of which has recently been provided by LCU says:

"Should you require advice, please call our Head Office on:"

So I am satisfied that the policy was not recommended to Ms L in this sale either.

This means that, in all the sales, LCU had to give Ms L enough information to allow her to make an informed choice about buying the PPI cover, but did not have to ensure that the cover was suitable for her situation.

I have then looked at whether Ms L knew that she had a free-choice about taking the PPI cover when she took out her loans.

I can see that the separate paper application forms for three of Ms L's four loans made it clear that buying the protection was a matter of choice. Ms L had filled in and signed the application form, so I am satisfied that she knew she had a choice about buying the PPI and chose to do so.

But the internet application form in January 2007 had the PPI application included at the bottom of the screens filled in to take the loan. The section was labelled "*payment protection insurance application*". I have looked at the sample screen that LCU has provided with care. Nowhere on the screen did it tell the customer that they had any choice about applying for the insurance. I can also see that directly under the heading it says:

*"*Required Fields"*.

But I cannot see anywhere in the PPI section that has the asterisk, so I believe that it would be entirely possible to assume that the whole of the PPI application section was a "required field" – which would lead the customer to buy the PPI.

I can see that the screen headings to check eligibility for the policy were all pre-populated with the word "Yes".

I can also see that the screen said "*I wish to ensure my loan for...*" and then gave the choice of three categories of cover, one of which was "none".

I appreciate that this was probably intended to make the application process easier for the customer. But I believe it also encouraged agreement with buying the cover because of what was already there and because there was no clear yes/no option around choosing the cover.

LCU has shown us that Ms L was sent paperwork after the sale that set out the choices she had made in buying the PPI. But it has not been able to persuade me that those choices were made sufficiently clear on the screen that Ms L filled in to *apply* for her loan and the insurance. Good industry practice has long required that the key issues of the policy – including its optional nature - should be presented to the customer *before* the sale is made, not just in paperwork afterwards.

While I accept that Ms L was eligible for and could have benefitted from the policy, I do not think the optional nature of the PPI cover was made clear to her when she took out her January 2007 loan on the internet. So I uphold this element of her complaint.

From the information that Ms L has given us about her circumstances, health and employment, I believe that she would have been able to make successful claims on the policies that she took out in May 2005, April 2006 and August 2007. As I am satisfied that she was aware she had a choice about buying those policies and chose to do so, I think she was probably accepting of their cost at the time. Overall, I do not think those policies were mis-sold to her.

To summarise, I do not uphold Ms L's complaints about the sale of PPI to her in May 2005, April 2006 and August 2007.

But I do uphold her complaint about the sale of the policy in January 2007 because I do not find that the optional nature of the policy was made clear to Ms L.

what the business should do to put things right

LCU should put Ms L in the position she'd be in now if she hadn't taken out PPI alongside the January 2007 loan. The policy should be cancelled, if it hasn't been cancelled already, and LCU should:

- pay Ms L the amount she paid each month for the PPI
- add simple interest to each payment from when she paid it until it pays her back. The rate of interest is 8% a year[†].
- if Ms L made a successful claim under the PPI policy, LCU can take off what she received for the claim from the amount it owes her.

[†] HM Revenue & Customs requires LCU to take tax from this interest. LCU must give Ms L a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons I have explained above, I uphold this complaint. Leeds City Credit Union Limited should compensate Ms L as indicated.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms L to accept or reject my decision before 18 February 2016.

Roxy Boyce
ombudsman