

complaint

Miss O says The Co-operative Bank Plc ("The Co-op") mis-sold her a payment protection insurance ("PPI") policy.

background

This complaint is about a credit card PPI policy taken out in 2006. The policy was added to Miss O's credit card account when she applied for the card through the post.

I issued a provisional decision on 15 December 2015 a copy of which is attached and forms part of this final decision.

I found that the PPI policy was mis-sold to Miss O. I asked both parties to provide me with any additional information they wanted me to consider. Miss O confirmed she had nothing further to add. The Co-op did not respond to the provisional decision.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As neither party has provided additional information for me to consider I see no reason to change my provisional decision and I uphold Miss O's complaint.

my final decision

The Co-operative Bank Plc should pay Miss O compensation in line with the instructions set in my provisional decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 19 February 2016.

Karen Hanlon
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Miss O says The Co-operative Bank Plc ("The Co-op") mis-sold her a payment protection insurance ("PPI") policy.

background

This complaint is about a credit card PPI policy taken out in 2006. The policy was added to Miss O's credit card account when she applied for the card through the post.

Our adjudicator upheld the complaint. The Co-op disagreed with the adjudicator's opinion so the complaint has been passed to me.

my provisional 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 Miss O's case.

I've provisionally decided to uphold Miss O's complaint but for different reasons to those set out by our adjudicator. I think this complaint should be upheld because I don't think The Co-op gave Miss O clear enough information about the policy. And I think this would've made a difference to Miss O.

The Co-op says sufficient information about the PPI was available to Miss O when she chose to take it out. But I don't agree. I think the postal application process would've only made her aware of the basic cost of the PPI. And even if Miss O had read the PPI terms and conditions in full, she wouldn't have known that interest would be charged on the premiums. Or that she would still have to pay the premiums if she made a claim.

If The Co-op had made Miss O aware of how the cost and benefits worked, I don't think she'd have taken it out. This is because she's told us she was employed in the armed forces when the PPI was sold. So she had generous sick pay and was entitled to a good redundancy package. I think she could've covered her credit card repayments for a significant length of time if she was unable to work. So, I think it's likely that if Miss O had been given enough information to understand the policy, she wouldn't have bought it.

Miss O has lost out as a result of The Co-op's mistakes. So I think The Co-op needs to put things right.

fair compensation

The Co-operative Bank Plc should put Miss O in the financial position she'd be in now if she hadn't taken out PPI.

- A. The Co-operative Bank Plc should find out how much Miss O would have owed when she closed her credit card account if the policy hadn't been added.

So, it should remove the PPI premiums added, as well as any interest charged on those premiums. It should also remove any charges that were caused by the mis-sale of the PPI – as well as any interest added to those charges.

The Co-operative Bank Plc should then refund the difference between what Miss O owed when she closed her account and what she would have owed if she hadn't had PPI.

If Miss O made a successful claim under the PPI policy, The Co-operative Bank Plc can take off what she got for the claim from the amount it owes her.

- B. The Co-operative Bank Plc should add simple interest on the difference between what Miss O would have owed when she closed her account from when she closed it until she gets the refund. The interest rate should be 8% a year.[†]
- C. If – when The Co-operative Bank Plc works out what Miss O would have owed each month without PPI – Miss O paid more than enough to clear her balance, The Co-operative Bank Plc should also pay simple interest on the extra Miss O paid. And it should carry on paying interest until the point when Miss O would've owed The Co-operative Bank Plc something on her credit card. The interest rate should be 8% a year.[†]
- D. The Co-operative Bank Plc should tell Miss O what it's done to work out A, B and C.

[†] HM Revenue & Customs requires The Co-operative Bank Plc to take off tax from this interest. The Co-operative Bank Plc must give Miss O a certificate showing how much tax it's taken off if she asks for one.

my provisional decision

For the reasons I've explained, I intend to uphold Miss O's complaint.

The Co-operative Bank Plc should pay Miss O compensation in line with the instructions set out above.

Karen Hanlon
ombudsman