

complaint

This complaint is about a credit card payment protection insurance (PPI) policy taken out in 2006. Miss H says Capital One (Europe) plc mis-sold her PPI.

background

The background and circumstances leading up to this complaint, which includes Miss H's circumstances at the time of the sale as well as the PPI policy benefits, limitations and exclusions of cover, aren't disputed. So I haven't repeated all of this information here.

Our adjudicator did not uphold the mis-sale complaint, but they thought Capital One's offer to pay back some of the cost of the PPI because of the non-disclosure of high commission and profit share Miss H paid, was fair in the circumstances.

Miss H's representative disagreed with the adjudicator's opinion – they didn't raise any new or additional points but repeated the same complaint points and arguments they'd previously made.

As the complaint couldn't be resolved informally, it has been passed to me for a final decision.

my findings

Although I have only included a summary of the complaint, I have read and considered all the evidence and arguments available to me from the outset, in order to decide what is, in my opinion, fair and reasonable in all the circumstances of this complaint.

When considering what is fair and reasonable, I am required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

We've set out our general approach to PPI mis-sale complaints on our website and published some example final decisions that set out in detail how these relevant considerations may apply to PPI sales like Miss H's. I haven't set out that detailed information here but I've taken into account all relevant considerations in deciding Miss H's complaint.

Having done so, I've decided not to uphold the mis-sale complaint. I've also considered the issue of non-disclosure of commission. And I've decided Capital One should have disclosed the commission it received - but that Capital One's offer to refund some of the cost of PPI to compensate for the unfairness caused is fair in the circumstances. I've summarised my reasons for each of these conclusions below.

In summary, my reasons for not upholding the mis-sale part of this complaint are:

- I think Capital One made it clear that Miss H didn't have to take out the PPI and she chose to take it out. I say this because Miss H applied for her credit card over the internet, and from what I know about Capital One's internet sales, she would have had to select a box if she wanted to take out PPI. Capital One has sent me a copy of Miss H's credit agreement which was sent to her in the post. This asked Miss H to once again tick a box to confirm she still wanted the PPI and sign a separate section to confirm her

choice. Having considered everything available to me, I think Miss H was aware she didn't have to have the PPI if she didn't want it, and she chose to take it out.

- Capital One didn't recommend the PPI to Miss H - so it didn't have to check that the PPI was right or suitable for her. But it did have to give Miss H enough clear and timely information so she could decide for herself if it was right for her.
- It's possible the information Capital One gave Miss H about the PPI wasn't as clear as it should've been. But I've found that she chose to take it out - so it looks like she wanted this type of cover. The cover wasn't fundamentally wrong for Miss H – for example she wasn't affected by the significant exclusions on or limits to the cover. And it wasn't too dissimilar to what she reasonably thought she was buying from the information she was given. It also looks like it was affordable – so it seems like it would have been useful for her if something went wrong. Because of this I don't think Miss H would have declined the cover had Capital One done anything more.
- While the policy contained exclusions on claims relating to back and mental health conditions, in light of Miss H's circumstances at the time of sale and despite its limitations and exclusions, the policy wasn't fundamentally wrong or unsuitable for her. So I think she would have still thought she had some good reasons to take the policy out.

Overall, I consider that Miss H would have still taken out PPI. The policy was sufficiently close to what it's likely she thought she was getting and I think the policy could provide a useful benefit in a difficult time, given her circumstances at the time. And in those circumstances, I think that she would have taken out the policy in any event.

Miss H's representative has raised a number of what I consider to be general complaint points, which it says apply to all PPI complaints. These general points include: a claim that the Financial Ombudsman Service is not correctly applying the regulator's rules and guidance for handling PPI complaints; these policies represented poor value because of the number of significant exclusions and limitations of cover coupled with the low claims ratio; and the duty of utmost good faith meant Capital One should have disclosed the poor value and explained the significance of the limitations and exclusions and the impact it had on the chances of making a claim.

But Miss H's representative has not said how these points apply to the specific facts and circumstances of Miss H's individual complaint – just that they apply to all PPI complaints.

I have thought about these things and how they might apply in Miss H's particular case. But these points don't persuade me to alter my conclusions about what is fair and reasonable in all the circumstances of the complaint – for the reasons I've set out above I don't uphold the mis-sale element of this complaint.

This means Capital One doesn't have to pay back all of the cost of the PPI to Miss H.

non-disclosure of commission

As I said above, I've also considered the issue of non-disclosure of commission, including whether the non-disclosure resulted in an unfair relationship under section 140A of the Consumer Credit Act – and if so, what fair compensation would be to remedy that unfairness.

Having done so I've decided Capital One should have disclosed the commission it received and that Capital One's offer to refund some of the cost of PPI to compensate for the unfairness caused is fair. My reasons are set out below.

was there an unfair relationship?

Capital One didn't tell Miss H about the high levels of commission and profit share paid in this case. So taking into account:

- The Supreme Court judgment in *Plevin*¹ and the conclusion in that case that the non-disclosure of commission could lead to an unfair relationship;
- The FCA's rules and guidance for handling complaints about the non-disclosure of commission and profit share - introduced in light of the Supreme Court judgment in *Plevin* - which requires a business to presume that the failure to disclose commission gave rise to an unfair relationship where the business expected commission and profit share to be more than 50% of the cost of the policy; and
- the likelihood, in my view, that a court would determine that the relationship between Capital One and Miss H was unfair under section 140A of the Consumer Credit Act because Capital One didn't tell her about the high levels of commission and profit share in this case

I don't think Capital One acted fairly and reasonably in its dealings with Miss H because it failed to disclose the high commission and profit share.

redress to remedy that unfair relationship

I'm now required to consider what is fair compensation in all the circumstances to remedy the unfairness I have identified.

Miss H's representative has made a number of representations about this part of the complaint including the impact of the *Plevin* judgment and sections 140A and 140B of the Consumer Credit Act on her complaint.

In summary they have said Miss H should get back all the money she paid for the policy because: Capital One failed to tell Miss H about the high commission and profit-share rates paid, the low claims ratio and the restrictions and exclusions on cover. Because they say that meant the policy was poor value, I should find that Miss H wouldn't have taken out the policy had they known about the level of commission and she should receive a refund of all the premiums she paid.

But I don't agree. I'm mindful of the following:

- The Supreme Court judgment in *Plevin* made no specific finding about whether the consumer in that case would or would not have bought the PPI policy had the commission been disclosed;
- A court would have a range of powers available under section 140 B to remedy the unfairness caused by the non-disclosure of commission – it does not follow that a

¹ *Plevin v Paragon Personal Finance Limited* [2014] UKSC 61 in which the Supreme Court concluded that the non-disclosure of commission could lead to an unfair relationship

court would automatically order a return of all the premiums paid or conclude that a consumer would not have purchased the policy had the commission been disclosed; and

- The FCA considered the matter and decided that it wouldn't be appropriate to merge the considerations about undisclosed commission in the existing rules and guidance about mis-selling (hence the two-step approach for firms handling PPI complaints) and that the impact of any undisclosed commission and any remedy caused by it should be considered at step 2.

Taking into account relevant law and the FCA's rules and guidance, my role as an ombudsman is to determine what redress, if any, would represent fair compensation for Miss H in order to remedy the unfairness caused by Capital One not disclosing the high level of commission to her before she purchased the policy.

So, taking into account:

- The FCA's guidance usually requires a business to refund the amounts paid by the consumer in commission and profit share *above* 50% of the policy's cost, plus interest in order to remedy the unfairness caused by the failure to disclose the level of commission;
- refunding some of the money paid for the PPI policy in this way is an order which, in my view a court could, in the exercise of its discretion, make under section 140B of the Consumer Credit Act in order to remedy any unfairness; and
- I am not, as Miss H's representative suggests, driven to conclude that she wouldn't have purchased the policy but for Capital One's failure to disclose the level of commission for the reasons I've given above.

I think it was fair for Capital One to calculate compensation in line with the FCA's guidance and return *some* of the money Miss H paid for her PPI policy.

I consider this fairly removes the source of the unfairness. This is because it leaves Miss H with the policy I've concluded above she would still have taken out if Capital One had done everything it should have done – but with lower commission and profit share levels.

So I consider that Capital One's payment of an amount equivalent to the commission and profit share paid in excess of 50% of the policy costs (plus associated interest where applicable) in line with the FCA's guidance to firms is fair in all the circumstances.

As Capital One has already paid Miss H compensation on this basis, I don't consider it should do anything further.

my decision

Overall, having considered all the evidence and arguments to decide what is, in my opinion, fair and reasonable in all the circumstances of this complaint and for the reasons I have set out above, I don't uphold the mis-sale element of Miss H's complaint or make any award in favour of her for this part of the complaint.

But because of the non-disclosure of commission and profit share, I've decided that Capital One (Europe) plc should pay Miss H an amount equivalent to the commission and profit share paid in excess of 50% of the policy cost (plus associated interest where applicable).

As Capital One (Europe) plc has already paid compensation on this basis, I do not consider that Capital One (Europe) plc should do anything more.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss H to accept or reject my decision before 3 October 2021.

Rebecca Norris
ombudsman