

## **complaint**

Mr O says Secure Trust Bank Plc ("Secure Trust") mis-sold him a payment protection insurance ("PPI") policy.

## **background**

In 2003 Mr O applied for a loan with Secure Trust by post. Secure Trust sold him a single premium PPI policy at the same time. Mr O borrowed extra to pay for the policy and paid that back with interest over the term of the loan. The policy offered accident, sickness and unemployment cover.

Our adjudicator upheld the complaint. She didn't think Secure Trust made the cost of the policy or the cancellation terms clear enough to Mr O. And she didn't think he would've bought the policy if it had.

Secure Trust disagreed. And so, the complaint was referred to me.

## **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 Mr O's case.

I've decided to uphold the complaint.

Secure Trust was required to give Mr O enough clear information about the policy *before* he agreed to buy it, so he could decide whether it was right for him. This included explaining important information like the cost and cancellation terms of the policy. And I don't think it did.

Mr O completed and returned an application form to Secure Trust to get the loan. There was a separate heading on the form about PPI. Underneath this, Mr O ticked a box to agree to buy it. He should've been given clear information about its cost at that point so he could make an informed choice about whether to take it out.

The loan application form itself didn't include any information about the cost. I can see it directed Mr O to read the '*summary of cover*' overleaf. Secure Trust gave us a copy of this summary – which was a large block of text in small font and is difficult to read.

In the middle of this text, it says:

*'How much does it cost – Please see the loan repayment tables for details of how much this cover costs. Premiums are added to your loan and, for your convenience, incorporated into your monthly loan repayment.'*

Mr O would've had to search for this limited information within the dense block of text. So I don't think it was clear enough. And I don't think he would've understood he would be charged interest on the PPI premium. Secure Trust should've pointed this out to him.

Mr O would then have had to refer to the 'repayment table' to work out what the policy would cost him, depending on the amount borrowed and the term of the loan. There were two tables – one to show weekly payments and one to show monthly payments. Both tables set out 'protected' and 'unprotected' loan repayments. But I don't think the information was clear enough. The tables don't point out the difference between the figures so Mr O would've had to work out the cost for himself. And it doesn't make clear that the premium would attract interest as extra borrowing.

Overall, I don't think the information about the cost was clear enough. So I don't think Mr O would've understood what the policy was really going to cost him. And I don't think he was able to make an informed choice about whether to buy it as a result.

Secure Trust then sent Mr O a loan agreement to sign – which included PPI. It says this document detailed the cost. But I disagree. The agreement set out the PPI premium. But it didn't show the interest that would be applied to that premium as a separate figure – or what the total cost of the PPI would be. It only set out the combined interest that would be charged on the loan amount *and* the PPI premium. So I don't think Mr O could've known the total cost of the PPI. And it didn't include the monthly cost.

I also don't think Secure Trust made the full cancellation terms clear enough to Mr O. I can see the summary of cover says: *'Important information – When you receive your Certificate, if you decide this cover is not suitable you can return the Certificate to Secure Trust Bank within 14 days. We will refund any charges as long as you haven't made a claim...'* Under 'duration of cover' it also says *'You may cancel the policy by giving 14 days' notice. If you do claims payments will be made for any valid claim occurring before cancellation.'*

I don't think the summary of cover was clear enough for the same reasons I've explained above. More importantly, it doesn't clearly explain what would happen if Mr O cancelled the policy after the first 14 days – or how much of his premium he'd get back.

Looking at the certificate of insurance, I can see it says *'If you cancel your policy before its normal expiry, you will be entitled to a refund of part of your premium (provided you have not made a successful claim). We will not calculate your refund on a pro rata basis...'*

This means Mr O wouldn't have got back as much of his premium as he might've expected if he repaid the loan and cancelled the policy early. For example, if Mr O cancelled the policy half way through the term, he wouldn't have got back 50% of the premium he paid, as he might've thought. Instead, he would've received less than this.

Mr O didn't receive the certificate of insurance until after he'd agreed to buy the policy. So he wouldn't have seen this important term at the time he applied for the PPI. And Secure Trust should have made this clear to Mr O *before* he bought it, so he could make an informed choice.

Mr O's loan application form shows he was using quite a large part of the finance to settle an existing loan he had with Secure Trust early. So I think it's likely he would've thought he might need to do so again at some point in the future – and most likely before the end of the loan term, given it was 48 months.

Because of this, I think it would've been important to Mr O at that time to have the flexibility to settle his loan and cancel the PPI early without losing money, if he needed to. For these

reasons, I don't think Mr O would've bought the PPI, if he'd known he wouldn't receive a pro rata refund of the premium if he cancelled it before the end of the term.

This means I think Mr O has lost out as a result of what Secure Trust did wrong. So it needs to put things right.

### **what Secure Trust must do to put things right**

Mr O borrowed extra to pay for the PPI, so his loan was bigger than it should've been and he paid more than he should've each month. So Mr O needs to get back the extra he's paid. So, Secure Trust should:

- Work out and pay Mr O the difference between what he paid each month on the loan and what he would've paid each month without PPI.
- Add simple interest to the extra amount Mr O paid each month from when he paid it until he gets it back. The rate of interest is 8% a year<sup>†</sup>.
- If Mr O made a successful claim under the PPI policy, Secure Trust can take off what he got for the claim from the amount it owes him

<sup>†</sup> HM Revenue & Customs requires Secure Trust to take off tax from this interest. Secure Trust must give Mr O a certificate showing how much tax it's taken off if he asks for one.

### **my final decision**

For the reasons I've explained, I uphold Mr O's complaint. Secure Trust Bank Plc must pay Mr O the fair compensation I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 29 December 2015.

Joanna Brown  
**ombudsman**