

complaint

This complaint concerns the purchase of two regular-premium payment protection insurance policies, taken out in 2005 and 2006. The first was in connection with a secured loan (called Homesecure) of £11,500. The second was in respect of a personal loan of £250. Mrs W says that Scotwest Credit Union Limited mis-sold the policies.

background

This has been an involved complaint, requiring separate stages in the assessment process. Mrs W originally complained about a number of sales by Scotwest between Apr 2000 and Oct 2009.

In Nov 2013, an adjudicator issued a view stating that we were unable to consider the sales that took place up to and including one in Mar 2002, as Credit Unions were not covered by our jurisdiction until later that year. I understand that Mrs W accepted that view in a subsequent conversation with the adjudicator.

In Jan 2014, another adjudicator issued a view stating that we would not be considering the merits of five sales between Sep and Dec 2002, as Scotwest had repaid all premiums and therefore Mrs W had suffered no financial loss. I understand that Mrs W accepted that view in a conversation with the adjudicator some days later.

In Apr 2014 the same adjudicator contacted Mrs W by phone to explain that we had reviewed the loan application forms and had not seen any evidence to show that PPI was purchased in connection with six of the then remaining eight loans. I understand that Mrs W accepted this outcome during that conversation.

This leaves two outstanding sales, as detailed in the complaint section above. In respect of these two sales, the adjudicator had already concluded that the complaint should not be upheld. Mrs W did not agree with the opinion and so her case has been referred to me for a final decision.

my findings

I have included only a brief summary of the complaint above, but I have considered all of the available evidence and arguments from the outset in order to decide what is fair and reasonable in the circumstances.

In doing so I have also taken into account the law, relevant regulatory framework and good industry practice at the time the policies were sold.

It seems to me that the relevant considerations in this case are materially the same as those set out in the PPI section in our website.

The key questions I will consider in this case are as follows:

- whether Scotwest gave Mrs W information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about whether to buy the insurance, and

- whether, in giving any advice or making a recommendation, Scotwest took adequate steps to ensure the product being recommended was suitable for Mrs W's needs.

If there were problems with the sales, then I need to decide if Mrs W lost out as a result. Where there are disputes, I must decide what is more likely to have happened.

how were the policies sold?

I have considered first of all how these policies were sold. In her PPI questionnaire, Mrs W stated that the policies were sold over the phone and that advice was given. However, in subsequent conversation with our adjudicator, she acknowledged that she had little memory of events. This is, perhaps, unsurprising, given the passage of time and the overall number of loans concerned.

Information is not complete, but Scotwest has said that, to the best of its knowledge, the 2006 loan was applied for via a paper application, possibly after an initial telephone enquiry by Mrs W. It says that it would be usual practice for the secured loan of 2005 to have been applied for in person. However, there is no record in the files to confirm this. Regardless of the sales channel, Scotwest has said that all PPI policies were sold on a non-advised basis.

I do not intend to make a firm decision regarding the likely sales channel, as it does not affect my decision. Of course, I do not know what might have been said to Mrs W during any potential phone conversation or meeting with Scotwest. However, on balance, I am satisfied that these were non-advised sales. I say this because I have not seen any documentation to indicate that Mrs W received advice or a personal recommendation. Indeed, the evidence suggests that Mrs W was provided with information about the policies at the time she received her loan application forms and was left to make her own decision as to whether she wished to purchase insurance.

did Mrs W understand that the policies were optional and did she choose to purchase them?

I have considered next whether Mrs W would have understood that the policies were optional and whether she consented to buying them. For the 2005 Homesecure application, Mrs W has completed and signed a separate application for cover, stating:

'I wish to insure my loan against accident, sickness and involuntary unemployment. I confirm that I am eligible for the cover and that I have received full policy details along with a summary of the details and a disclosure statement detailing the insurance services that Scotwest Credit Union provides. I understand that I have the right to cancel this policy up to 14 days after the start date of the policy.'

For the 2006 loan, Mrs W again completed a similar, separate application form and signed a similar declaration to that quoted above. The introductory statements on the form suggest that the customer *considers* PPI and tells them that Scotwest *can* arrange affordable cover [my emphases].

Additionally, I have seen a welcome letter in respect of the 2006 loan, which confirms approval of the loan and then refers to the enclosed PPI information. Mrs W is invited to read through the information and then indicate whether she wishes *'to take advantage of this valuable protection'*. It seems to me that the language in the letter indicates that the PPI is a separate, additional product, and that loan approval is not dependent on purchasing PPI.

Having looked at the evidence, I am satisfied that the language on the documentation indicates that the policies are a possibility rather than a requirement. I think, therefore, that Mrs W would have known, or ought reasonably to have understood that PPI was optional, and that she chose to take out the cover.

did Scotwest give Mrs W sufficient information about the policies?

As these were non-advised sales, Scotwest was required only to provide sufficient information to enable Mrs W to make an informed choice. Mrs W has indicated that the information provided was inadequate. I cannot say whether all Mrs W's information needs were met; and I therefore accept the possibility of a shortcoming on the part of Scotwest. Nevertheless, I am of the view that, even with clearer and better information, Mrs W would still have decided to proceed with the policies. I say this for the following reasons:

- Having reviewed the criteria, I am satisfied that Mrs W was eligible for the policies and would not have been affected by any unusual terms of conditions, such as those relating to pre-existing medical conditions or self-employment.
- Mrs W has stated that she did not need the policies because she had a sick pay package from her employer for up to 12 months. However, the policies would have paid out in addition to and beyond any occupational benefits, and also protected against unemployment.
- The cost of the policies was £8.97 per £100 of monthly repayment. I understand that, upon a successful claim, the policies would have paid benefit for up to 12 months for unemployment and 24 months for disability. I have not seen any evidence to suggest that the cost was unaffordable to Mrs W.

In light of this evidence, and having already found that Mrs W actively chose the PPI, I am persuaded on balance that, even with full information, Mrs W would most likely still have chosen to purchase the policies.

It follows therefore that I do not think these policies were mis-sold and do not uphold this complaint. I realise Mrs W will be disappointed with this outcome, but hope that my reasoning at least explains why I have drawn these conclusions.

my final decision

For the reasons given above, I do not uphold this complaint and I make no award against Scotwest Credit Union Limited.

Jo Chilvers
ombudsman