

complaint

This complaint is about a regular premium payment protection insurance policy ('PPI') sold in conjunction with a credit card in 2000. Mr L says that the PPI policy was mis-sold by The Royal Bank of Scotland Plc ('RBS'). In essence, his complaint is that the PPI policy was added without his knowledge; the PPI tick box section of the application form was already pre-selected and he was advised that he had to sign next to each box. He says that the application form stated that RBS strongly recommended that he should take out the PPI policy and the optional nature of the policy was not made clear. He also says that he did not receive sufficiently clear or accurate information about the PPI policy; that RBS did not adequately assess his demands and needs; he had existing life cover and sick pay entitlement so did not need the policy; and he would not have purchased the policy if he had been allowed to make an informed choice.

background to complaint

The adjudicator's view was that there was insufficient evidence to show that the PPI policy had been mis-sold. Mr L was advised of this and has requested that the matter is referred to an ombudsman for final decision.

my findings

I have included only a brief summary of the complaint above, but I have considered all the evidence and arguments from the outset in order to decide what is fair and reasonable in the circumstances of this complaint. In doing so, I have taken into account the law and good industry practice at the time the policy was sold.

It seems to me that the relevant considerations in this case are materially the same as those set out in the section of our website explaining how we deal with PPI complaints.

The questions I need to consider in a case like this are:

- whether RBS gave Mr L information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the PPI policy he was buying; and
- whether, in giving any advice or recommendation, RBS took adequate steps to ensure that the product it recommended was suitable for Mr L's needs.

If there were shortcomings in the way in which RBS sold the PPI policy, I then need to consider whether Mr L is worse off as a result; that is, would he have done something differently – ie not taken out the policy - if there had been no shortcomings.

After careful consideration of all of the evidence and arguments I have decided not to uphold Mr L's complaint. My reasons are outlined below but before dealing with these, I will firstly look at the question of whether the PPI policy was recommended to Mr L by RBS.

The sale was completed by way of a postal application and Mr L says that the application form stated that RBS strongly recommended that he should take out the PPI policy. RBS says this was a non-advised sale. I have considered this point very carefully. RBS has provided a copy of the credit card application form completed by Mr L in 2000. I note that, in the 'Payment Protection' section of the application form, it states "*Payment Protection*

Insurance is designed to protect your Royal Bank of Scotland Credit Card payments in the event of death, accident, sickness or involuntary unemployment (including redundancy). We strongly recommend you take out this cover. For cover just tick this box". I understand how this could be seen as a recommendation to take out the policy but I am more inclined to view it as a generic statement directed at all consumers, not to Mr L specifically. It follows that I am not persuaded it constitutes advice, in the sense of a recommendation to Mr L after an assessment of his needs and circumstances. There is no evidence of any conversation or discussion between Mr L and RBS in relation to Mr L's circumstances, so I consider it more likely than not that RBS did not advise Mr L to take out the policy.

This means RBS was not required to ensure it recommended a suitable policy to Mr L but it was required to provide him with information that was clear, fair and not misleading so that he could make an informed choice about taking out the policy.

optional nature of PPI policy

Mr L has complained that it was not made clear to him that the PPI policy was optional. The application form signed by Mr L appears to show that he ticked a box indicating that he wished to take out the PPI policy – the *"For cover just tick this box"* mentioned above. He also appears to have crossed through other sections of the form that were not of interest to him, such as card registration and balance transfers. This suggests to me that Mr L knew he had a choice about taking out the policy. If he had not ticked the box, or crossed through the PPI section of the form, PPI would not have been added to his credit card account. I am also mindful of the fact that Mr L could have cancelled the PPI policy at any time since 2000 – the PPI premiums would have been clearly identifiable on his monthly credit card statements. If PPI was something that Mr L did not want or feel the need for, I would have expected him to have cancelled it much sooner.

Having considered the evidence, I am persuaded that Mr L chose to have PPI added to his account and that he was *most likely* aware of the optional nature of the PPI policy.

information

Mr L has also complained that he was not provided with clear information about the PPI policy and if he had been, he would not have agreed to take out the policy.

- Mr L says that he had been employed for five years at the time of taking out the PPI policy. Mr L was unsure of his sick pay entitlement at the time. He has said that he was entitled to between three and six months' sick pay or four weeks full pay followed by four weeks half pay. Even if I accept the greater of these two amounts (ie between three and six months' sick pay), I still think it likely that Mr L may have wished to have protected his repayments by way of the PPI policy. This is because Mr L does not appear to have had any savings or other means he could use to help him meet his credit card repayments if he was unable to work. He says he had life cover and could have used his spouse's income to help meet credit card repayments. However, it is my view that Mr L could have found it difficult to meet his credit card repayments, particularly once his sick pay reduced – so there was a potential need for the PPI policy.
- The policy would have paid 10% of Mr L's credit card balance in the event of a successful claim for up to 12 months and would also have paid off the balance in the unfortunate event of his death. It seems to me that someone in Mr L's circumstances might have thought this provided valuable protection. I note that the benefits under the

policy would have been payable in addition to Mr L's employee benefits and for a longer time. Therefore, in my view, the PPI policy may have proved useful to Mr L at a time of financial difficulty.

- Mr L was eligible to take out the PPI policy. Additionally, I have no reason to think that he would have been caught by any of the significant exclusions or limitations under the policy (such as those relating to pre-existing medical conditions and unusual employment terms).
- RBS has confirmed the cost of the PPI policy was £0.75 per £100 of the outstanding monthly balance. In comparison with other policies, the policy offered a worthwhile benefit at a fairly typical cost – in other words, there would have been little to deter Mr L from taking out the PPI policy if it had been fully explained to him, and sold to him, correctly.
- There is nothing obvious in Mr L's circumstances that leads me to believe the cost of the policy was unaffordable to him. The cost was shown on his monthly credit card statements and if he found it to be unaffordable or undesirable, I would have expected Mr L to have cancelled the policy much sooner.

summary

Having considered the matter carefully, I am satisfied that Mr L was most likely made aware of the optional nature of the PPI policy. While I accept there may have been some shortcomings in the information RBS gave to him, I cannot say for certain that Mr L has been disadvantaged by this. I realise my conclusions will be a disappointment to Mr L but, if RBS had given him enough information to have made an informed choice about taking out the policy, I am not persuaded he would have done anything different.

It follows that I do not uphold Mr L's complaint.

my decision

For the reasons set out above, I do not uphold this complaint and make no award against The Royal Bank of Scotland Plc.

Jagdeep Tiwana
ombudsman