

complaint

Mrs B says Tesco Personal Finance PLC ('Tesco') mis-sold to her payment protection insurance ('PPI').

background

I issued my provisional findings explaining why I thought compensation was due to Mrs B. A copy of my provisional decision is attached to, and forms part of, this final decision.

I asked Mrs B and Tesco to let me know if they had anything more to say. Mrs B's representatives said they had nothing further to add.

Tesco confirmed receipt of my provisional decision on 15 February 2016 and told us they would reply by the deadline of 9 March 2016 set out in my provisional decision. Tesco didn't reply by this date and on 15 March 2016 we contacted Tesco who asked for an extension to provide further submissions. An extension was granted until 22 March 2016, but Tesco didn't provide anything more for me to consider within the time given.

my findings

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

As Mrs B and Tesco haven't made any more comments, or offered any more evidence, my findings about this complaint haven't changed. I think it's possible the information Tesco gave Mrs B when she arranged the cover wasn't clear enough. And given her circumstances at the time I think Mrs B would've decided not to take out the policy if she had been properly informed about it.

putting things right

In my provisional decision I asked Mrs B and Tesco to let me know if my understanding of what happened to Mrs B's card and PPI wasn't right. As they didn't disagree with my understanding, Tesco should put things right as I've set out below.

Tesco should put Mrs B in the financial position she'd be in now if she hadn't taken out PPI. The policy should be cancelled and:

- A. Tesco should find out how much Mrs B would owe on her credit card if the policy hadn't been added to it.

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.

Tesco should then refund the difference between what Mrs B owes and what she would have owed.

If Mrs B made a successful claim under the PPI policy, Tesco can take off what she got for the claim from the amount it owes her.

- B. If – when Tesco works out what Mrs B would have owed each month without PPI – Mrs B paid more than enough to clear her balance, Tesco should also pay simple interest on the extra Mrs B paid. And it should carry on paying interest until the point when Mrs B would've owed Tesco something on her credit card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.†
- C. Tesco should tell Mrs B what it's done to work out A and B.

† HM Revenue & Customs requires Tesco to take off tax from this interest. Tesco must give Mrs B a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons above, my final decision is that Mrs B's complaint should be upheld. And Tesco Personal Finance PLC must pay Mrs B fair compensation as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 29 April 2016.

Kristina Mathews
ombudsman

Copy of the provisional decision complaint

Mrs B says Tesco Personal Finance PLC ('Tesco') mis-sold to her payment protection insurance ('PPI').

background

In 2005 Mrs B took out a credit card with Tesco. At the same time she was sold a monthly premium PPI policy. The policy provided cover for Mrs B and would make the repayments towards her card if she was unable to work because she was sick or lost her job.

Our adjudicator said Mrs B's complaint should not be upheld. Mrs B disagreed with the adjudicator's opinion. She told us the PPI was not something she needed as she had cover through her employer.

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 Mrs B's case.

After careful consideration I'm minded to conclude that Mrs B's complaint should be upheld. And I've explained my reasons for this below.

Mrs B told us the PPI was simply added to her account. But Mrs B applied for the PPI through the post and so I think she most likely completed the application form herself. The application form shows that Mrs B could have said 'yes' or 'no' to PPI.

Mrs B and Tesco agree that Mrs B applied for the card through the post. And as I've seen nothing to make me think Mrs B spoke with Tesco during the application process, I don't think Tesco advised Mrs B to have PPI.

Because of this Tesco didn't have to assess Mrs B's circumstances and make a suitable recommendation for her. Instead, it had to provide Mrs B with enough clear information about the policy so she could decide if she wanted to take it out.

However, there is not much information about the PPI on the application form. Tesco says that policy documentation would've been included with the PPI application for Mrs B. But I don't know for certain if Mrs B received this.

Tesco would have needed to make the cost of the policy clear to Mrs B as well as the policy features and benefits. Taking everything into account I can't say that it did this. For example, I don't know what information Mrs B would have had about the cost of the policy. And I've not seen enough to show me Mrs B would have understood the policy premiums would've been added to her account and that they would attract interest. Or that it was made clear to Mrs B if she made a claim under the policy she would have to continue paying the PPI premiums - which would in turn reduce the amount of benefit she would receive under the cover.

I've considered if knowing this information would have made a difference to Mrs B's decision to take out PPI. And on balance, I think that it would have.

I say this because Mrs B has told us she had protection through her employer. Mrs B had been with her employer for around six years. So I think it's likely she felt reasonably secure in her employment. And she told us that her employer provided her with Permanent Health Insurance ('PHI') which would've paid out enough to match her salary until the age of 65 if she couldn't work because she was sick.

I think if Mrs B had properly understood the cost of the policy in relation to the benefits, I think given her circumstances she wouldn't have taken out the policy. That is, I don't think Mrs B would have viewed the policy as worthwhile for her at the time.

So, I can't say that Tesco did everything it needed to when it sold the PPI to Mrs B. And had Mrs B been properly informed I don't think she would have gone ahead with the policy given her circumstances.

putting things right

From the submissions available to me I understand Mrs B still has her card and the PPI. If my understanding is not right, then Mrs B and Tesco should let me know.

Tesco should put Mrs B in the financial position she'd be in now if she hadn't taken out PPI. The policy should be cancelled if it hasn't been cancelled already and:

- A. Tesco should find out how much Mrs B would owe on her credit card if the policy hadn't been added to it.

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.

Tesco should then refund the difference between what Mrs B owes and what she would have owed.

If Mrs B made a successful claim under the PPI policy, Tesco can take off what she got for the claim from the amount it owes her.

- B. If – when Tesco works out what Mrs B would have owed each month without PPI – Mrs B paid more than enough to clear her balance, Tesco should also pay simple interest on the extra Mrs B paid. And it should carry on paying interest until the point when Mrs B would've owed Tesco something on her credit card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]

- C. Tesco should tell Mrs B what it's done to work out A and B.

[†] HM Revenue & Customs requires Tesco to take off tax from this interest. Tesco must give Mrs B a certificate showing how much tax it's taken off if she asks for one.

my provisional decision

For the reasons above, my provisional decision is that I intend to uphold Mrs B's complaint. I propose that Tesco Personal Finance PLC must pay Mrs B fair compensation as I've set out above.

Mrs B and Tesco Personal Finance PLC should now let me have any evidence or submissions they would like me to consider.

**Kristina Mathews
ombudsman**