complaint

Mrs L complains that she was mis-sold payment protection insurance ('PPI').

It's been agreed in this case that Financial Insurance Company Limited ('FICL') as the insurer should accept responsibility for the complaint. To keep things simple I'll refer to FICL in my decision.

Mrs L says that she didn't consent to take out the policy and she didn't need it.

background

This complaint is about a monthly premium policy bought in July 2001 when Mrs L took out a store card during a meeting in store.

I can't be sure what the PPI policy cost at the point of sale, but it would have been between £1.00 and £1.50 per £100 of Mrs L's statement balance. If she'd made a successful accident, sickness or unemployment claim the policy would've paid 15% of her outstanding monthly balance on the store card until the balance was cleared, or she returned to work.

Our adjudicator upheld Mrs L complaint. He thought FICL hadn't made the cost and benefits of the policy clear to Mrs L when she took it out. He also found that FICL had made this information clear enough, given her circumstances, Mrs L wouldn't have taken out the policy.

FICL disagreed. It said it gave Mrs L enough information so that she could decide whether the policy was right for her.

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 Mrs L's case.

I've decided to uphold Mrs L's complaint for the same reasons as set out by our adjudicator.

Mrs L has told us that when the policy was sold she was entitled to six months' full followed by six months' half pay from her employer if she'd been unable to work due to sickness or accident. She has also told us that she had the equivalent of six months' salary in savings that she could use to make repayments.

Given these generous employment benefits and other means, I don't think Mrs L would've wanted the policy if she'd properly understood the costs and benefits when she bought it. So I think Mrs L has lost out because of what FICL did wrong.

I think that Mrs L would've still taken out the store card, but without the PPI policy. It follows that I uphold this complaint and ask FICL to put things right as set out below.

what FICL should do to put things right

FICL should put Mrs L 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 – if possible –

A. FICL should find out how much Mrs L 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.

   FICL should then refund the difference between what Mrs L owes and what she would have owed.

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

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

FICL may not be able to work out A and B if it doesn't know when the PPI premiums were added, how much the PPI premiums were and/or how much interest was charged on those premiums. So if FICL can't do A and B, it should:

C. use what it knows about Mrs L – and, if necessary, consumers who took out the same type of PPI policy for the same length of time – to estimate how much she paid for PPI (including interest) – and pay this to Mrs L instead of A and B.

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

D. FICL should tell Mrs L what it's done to work out her compensation – and if it has to estimate how much she paid for PPI, it should explain why and give Mrs L the chance to provide any missing information.

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

my final decision

For the reason above, my final decision is that Mrs L's complaint should be upheld. Financial Insurance Company Limited must pay Mrs L's compensation as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before **9 November 2015**.

Clair Bantin
ombudsman