

complaint

Mr V complains about the addition of a monthly payment protection insurance (“PPI”) policy being added to his credit card account. He approached Barclays Bank Plc (“Barclays”) in December 2002 to arrange a credit card. It was during this transaction when the PPI was added to his account. He complains on the basis that the PPI was mis-sold to him.

background

Barclays did not uphold Mr V’s complaint when he complained to them direct. The adjudicator dealing with Mr V’s complaint within this service also did not uphold his complaint. Mr V has now asked for an ombudsman to review his case and to provide a final decision on the matter.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. This includes taking into account the law and good industry practice at the time the policy was sold. In essence, the questions I need to consider are:

- whether, in giving any advice or recommendation, Barclays took adequate steps to ensure that the product it recommended was suitable for Mr V’s needs;
- whether Barclays gave Mr V 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 insurance he was buying.

If there were shortcomings in the way in which Barclays sold the policy, I then need to consider whether Mr V is worse off as a result; that is, would he have done something different – for example, by not taking out the policy – if there had been no shortcomings.

I have decided to not uphold Mr V’s complaint. I explain why below.
basis of sale?

Mr V has told me that he applied for his credit card via the telephone. Barclays however has suggested that this application was completed in one of their branches via an application form being completed. I cannot say how this sale was conducted; whether by distance over the telephone or face-to-face in branch. However, I do not need to decide this point as it is immaterial as to how this case has been resolved. What I have found however is that this sale was an advised sale. Both Mr V and Barclays have agreed this was the case and I have no reason to doubt what I’ve been told on this point. As this was an advised sale Barclays had to ensure that the recommendation it gave Mr V was suitable at the time and met his circumstances and needs at the point of sale. Barclays also had to ensure that the information it gave Mr V was clear and fair.

did Mr V have a clear choice about selecting the PPI?

The application form in this case is only just legible. However, I can see from the application form that a separate section deals with “*Payment Protection Insurance*” and it is quite clearly labelled and in a prominent position on the form. This section provides some brief detail about the PPI and then it asks for a selection to be made by ticking a box if the consumer

would like the PPI. I can see that in Mr V's case this has been clearly ticked. Mr V complains that he was told it was mandatory to select the PPI so as to secure the credit card facility. I cannot say what Mr V was told, however the application form does make the PPI optional and nowhere is the PPI made compulsory on the form. There is also just as equally prominent an opportunity to decline the PPI which suggests to me that this is an optional product. Despite what Mr V has told me I cannot safely say the PPI was sold as mandatory; especially so when the application form appears to suggest an optional product. On balance it is just as likely that Mr V was aware of his choice to opt for the PPI and that the form has been completed recording his desire to opt for the PPI. Mr V's complaint does not succeed on this basis.

was the policy a suitable recommendation for Mr V?

The policy appears to have been suitable for Mr V's circumstances at the time. He was eligible for the cover and it appears affordable for him at the point of sale. I am aware that he now says the cost of the policy was expensive, however at the time of selecting the PPI it was competitively priced in the market and the PPI offered him protection and cover he did not have. I cannot say that the cost of this policy makes this PPI an unsuitable recommendation for him when his circumstances at the time suggest he had a need for the cover. I say this because Mr V has also told us that he had no workplace benefits in the event he could not work. Although the policy included conditions limiting the cover for some people (for example, those with pre-existing medical conditions or the self-employed), it doesn't appear these restrictions applied to Mr V's circumstances as he has told us he was healthy at the time of the sale, so he could have benefited from the full extent of the policy, if necessary.

Mr V has said that his family would have helped him meet his repayments if he was unable to work. I cannot place much weight upon this, as any ability of his family helping is not guaranteed and wholly dependent upon their circumstances at the time. In this sense the PPI would have helped him meet his credit card minimum repayments for a guaranteed time. I am satisfied that Mr V would have found the PPI useful and would have provided him with welcome protection in the event he could not work. I have also acknowledged that Mr V had savings or insurance equivalent to three month's pay however the PPI would have paid beyond this period. I am satisfied this was a suitable recommendation for Mr V.

did Barclays provide Mr V with information that was clear and fair?

I'm not satisfied in this case that Barclays drew Mr V's attention to all the significant features of the policy. But it doesn't automatically follow from this that I should uphold Mr V's complaint. I need to be satisfied that Mr V has lost out as a result – in other words, that he would have acted differently (and decided not to take out the policy) if Barclays had clearly explained all of the policy's significant features.

I can see from the application form that the policy's cost is not explained. The form simply refers to a "small monthly premium". Barclays has told me that their representative would have run through the policy's significant features and that Mr V would have been able to ask any questions about the policy. I cannot say for sure in lieu of any direct evidence as to what was said by Barclays about the PPI. The application form is silent on the policy's costs and I find that on balance there was a real risk of information failings in this sale which I cannot overlook. I accept that Mr V might not have understood the true cost of the policy and that he would have to keep paying for the policy during a claim – and that this meant the real benefit

was actually slightly less than the 10% stated. However at 79p per £100 of outstanding monthly balance it does not seem prohibitively expensive for him at the time. The policy's cost and benefit were still relatively competitive in the market at the time and the benefit would still have paid out significantly more than Mr V's minimum credit card repayment each month. So, given that I think Mr V wanted the cover, that it appears he could afford it at the time and that he probably didn't expect the benefit to be a great deal more than it actually was, I'm not persuaded he would have been put off taking out the policy if the cost or benefit had been better explained. Any further information about the policy's cost would have simply revealed that it was affordable and provided a benefit he did not have in place to protect him.

Although it doesn't appear the policy's exclusions and limitations were drawn to Mr V's attention, I don't think this would have mattered to him. I say this because his circumstances at the time lead me to think it unlikely he would have been caught by those terms.

Essentially, I think Mr V wanted the cover and given that this policy was suitable for him and provided broadly what I think he expected, I'm not persuaded he would have made a different decision (and decided against taking it out) if any of the features had been better explained.

I do not uphold Mr V's complaint.

my final decision

I do not uphold this complaint and make no award against Barclays Bank Plc.

Daniel Lucas
ombudsman