

complaint

Mr R says National Westminster Bank Plc ("NatWest") mis-sold him a payment protection insurance (PPI) policy.

background

Mr R took out the policy in 2008 at the same time he took a loan. The loan included an amount to pay for the policy. Mr R and NatWest agree he applied for the loan and the PPI in a meeting.

Our adjudicator thought Mr R's complaint should succeed. NatWest disagreed with the adjudicator's opinion, so the complaint's been passed to me.

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 explained our general approach to complaints about the sale of PPI on our website. And I've taken this into account in deciding Mr R's case.

Having thought about everything, I've decided to uphold Mr R's complaint. I'll explain why.

Mr R says that he wasn't told anything about PPI during the meeting and he wasn't asked if he wanted it. NatWest says the policy was only added to the loan agreement *after* Mr R had completed a checklist and an application form. And that it would've made it clear that the policy was optional.

I can't know exactly what was discussed during the meeting, or what NatWest's representative said to Mr R. So I've looked carefully at the paperwork that's left from the point of sale and thought about what both Mr R and NatWest have told me to decide what I think is most likely to have happened.

NatWest can't give me a copy of the signed declaration page of Mr R's Duty of Care Checklist or the application form it says he would've signed. But it's sent me a copy of Mr R's loan agreement. I can see a box has been ticked and Mr R has signed separately to say he wanted PPI. And I accept that this box describes the PPI as optional. Normally, this might've been enough for me to say I thought it'd been made clear enough that the policy was optional.

But I've also thought about what I know about NatWest's sales process at the time the policy was sold. It's my understanding that the PPI would've automatically been included in the loan quote. And I think the quote would've been produced before Mr R had been taken through the Duty of Care Checklist and application form. Or had a chance to think about whether he wanted PPI or not. And it's also my understanding that Mr R would've most likely been told to tick and sign the loan agreement to confirm he wanted the PPI. So even though the paperwork might've said the policy was optional, looking at everything together (including what I know about NatWest's sales process), I don't think NatWest made it clear enough to Mr R that it was.

NatWest says that bearing in mind Mr R's circumstances, it's reasonable to think he had a need for the policy. And it also says he made a successful claim on the policy, which supports this. But just because Mr R may've had a need for the policy doesn't mean he didn't have to be given a choice. So having thought about everything, I think if NatWest had made it clear enough that Mr R didn't have to have the PPI, he wouldn't have agreed to take it out.

what NatWest must do to put things right

Mr R borrowed extra to pay for the PPI, so his loan was bigger than it should've been and he paid more than he should've each month. So Mr R needs to get back the extra he's paid.

So, NatWest should:

- Work out and pay Mr R the difference between what he paid each month on the loan and what he would've paid each month without PPI.
- Add simple interest to the extra amount Mr R paid each month from when he paid it until he gets it back. The rate of interest is 8% a year[†].
- If Mr R made a successful claim under the PPI policy, NatWest can take off what he got for the claim from the amount it owes him.

[†] HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr R a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons I've given above, my final decision is that I uphold Mr R's complaint.

I direct National Westminster Bank Plc to pay Mr R the fair compensation I've explained.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 January 2016.

Lisa Barham
ombudsman