

complaint

Mr B took out two personal loans with Hull and East Yorkshire Credit Union Limited (Hull & East), one in August 2008 and the second in April 2011. Alongside each loan, Mr B purchased a payment protection insurance (PPI) policy. Both policies were payable by regular premiums. In essence Mr B complains that he was not made aware the policies were optional and were unsuitable due to his existing means.

background

In August 2008, Mr B obtained a loan of £10,000 over a term of 60 months. At the same time Mr B was sold a monthly premium PPI policy to provide him with accident, sickness and unemployment cover. The monthly cost of the policy was £13.46 and would have provided a monthly benefit of £212.66. In the event of accident or sickness the benefit would be paid for up to 24 months and in the event of unemployment the benefit would be paid for up to 12 months.

In April 2011, Mr B obtained a second loan to refinance his existing loan and also a further advance of £500. At the same time Mr B was sold a monthly premium PPI policy to provide him with the same cover as his first loan. The monthly cost of the PPI policy was £13.19 and provided a monthly benefit of £208.37.

Our adjudicator has considered the case and is of the view that the complaint should not be upheld. Mr B does not agree with this view and has asked for an ombudsman to consider the case.

my findings

I have considered all the available evidence and arguments 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 as well as the relevant regulatory rules and guidance.

After careful consideration, I think the issues in this case are the same as those set out in the note on our website, which explains our approach to complaints about the sale of PPI. Therefore, the overarching questions I need to consider are:

- whether Hull & East gave Mr B 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 and
- whether, in giving any advice, Hull & East took adequate steps to ensure that the policy it recommended was suitable for Mr B's needs

If there were shortcomings in the way in which Hull & East sold the policy, I must also be satisfied that Mr B is worse off as a result – in other words, that Mr B would have done something different – i.e. not taken out the policy – if there had been no shortcomings.

Hull & East says that it did not provide advice or a recommendation whereas Mr B says he was provided with a recommendation. I have looked at the paperwork from the time of the sale and have noted that both loan applications include the statement '*Hull & East Yorkshire Credit Union does not provide advice as part of this application.*' I am therefore satisfied that

Hull & East did not provide Mr B with a recommendation. This means that Hull & East did not have to consider the policy's suitability. It did, however, have to provide clear, fair and not misleading information to have enabled Mr B to make an informed choice about the policy he was buying.

For ease I have referred to each of Mr B's loans in my decision as Loan 1 (2008) and Loan 2 (2011).

was the PPI presented as optional to Mr B?

In his testimony, Mr B says *'the PPI box was already ticked by the lender on the form. I did not request this insurance.'* In later submissions Mr B has told us that he believed the PPI was compulsory as when he received the loan agreements *'already had the box agreeing to pay PPI marked with an X.'* Hull & East does not agree with this submission and has provided copies of Mr B's loan application and loan agreement for each of Mr B's loans as evidence that the PPI policy was presented as optional and that Mr B chose to purchase PPI. Hull & East has also provided a copy of a PPI checklist which was completed in respect of Loan 2.

loan 1

I have carefully reviewed Mr B's loan agreement which Hull & East has provided to this service. Whilst I acknowledge that there is no clear statement on the form indicating the PPI was optional, for the reasons set out below I am persuaded that the way the PPI was presented on the loan application form would have indicated to Mr B that he had a choice about whether or not to select the cover.

I note that the application form contains handwritten personal details relating to Mr B's salary, bank account, occupation and financial commitments at the time (mortgage, other outgoings). I can see from the loan application form that a separate section deals with *'Payment Protection Insurance'* and appears in a prominent position on the form under the heading *'Application form'*. I note the form required Mr B to make it clear he wanted to take out the policy by marking a box with a tick to indicate he wanted to take out PPI cover. This was underneath the statement *'Please indicate your preference'*. I can see that a tick has been placed in the box next to the statement *'I wish to insure my loan for accident, sickness and unemployment cover'* and Mr B has signed close by within a larger box. The application form also contains another box with equal prominence which provided Mr B the opportunity to decline the insurance by ticking a box next to the statement *'I do not wish to take any form of payment protection insurance'*. I also note that there is nothing in the application form which indicates the PPI policy was compulsory or a condition of the loan. Consequently, I cannot fairly say that Hull & East did not make it clear to Mr B that the policy was optional.

loan 2

Having reviewed the loan agreement, loan application and PPI checklist I am satisfied that the insurance policy was presented as optional. I say this for the following reasons:

- Looking at the loan application I can see that a separate section deals with PPI.
- The loan application includes the statement *'Hull & East Yorkshire Credit Union can arrange **optional** (my emphasis) payment protection insurance cover.'*

- Mr B was required to sign separately for the PPI policy (in addition to signing for the loan) and actively tick a box to select PPI from a choice of two levels of cover. I can see that Mr B has ticked a box next to the statement '*I wish to insure my loan repayments for accident, sickness and unemployment cover.*' Mr B has signed underneath indicating he was aware he was purchasing payment protection insurance.
- The loan agreement clearly details the cost of the insurance premium.
- The PPI checklist which Mr B has signed required Mr B to actively select which level of cover he required from a choice of two options by ticking a box. I can see that Mr B has ticked the box indicating he wished to purchase accident, sickness and unemployment cover.
- I also note that both the loan application and PPI checklist form has the option to decline the cover in an equally prominent position. I am therefore satisfied that Mr B ought reasonably to have been aware from the loan application and PPI checklist that the PPI policy was optional.

I have also reviewed both of Mr B's loan agreements, which Hull & East say was generated as a result of information provided by Mr B's on his loan applications. Though I give lesser weight to the documentation Mr B signed *after* he had made a commitment to purchase the PPI on the loan applications, the loan agreements do contain an 'X' in a box confirming Mr B wished to purchase PPI. I acknowledge that the 'X' in the box agreeing to purchase the PPI appears to have been pre-populated, however, taking the loan applications and loan agreements together I am satisfied that loan agreements reflect the information provided by Mr B in his loan applications in which he agreed to purchase the PPI.

So, on balance, I am not persuaded that I can find that the optional nature of the PPI policies were not made clear, or clear enough, by Hull & East. Taking everything together I am not persuaded that it is likely that the PPI for the loans was added without his consent. I think it is more likely that he signed the loan applications and completed the separate PPI sections aware that he was agreeing to take these policies and that he could opt to decline them. Therefore, Mr B's complaint does not succeed on this basis.

was adequate information provided to Mr B by Hull & East?

I now turn to the question of whether Hull & East presented Mr B with sufficient information to properly inform his decision to take out the PPI policies. Mr B has complained that the policy terms and conditions were not explained. As I was not present at the meeting, when Mr B signed his loan agreements, I cannot be certain what information Mr B received. However, even if I were to find that there had been a shortcoming in the information provided, I do not consider that Mr B's decision to take out the PPI policies was - *more likely than not* - affected. I say so for the following reasons:

- There was a potential *need* for cover as Mr B was taking on a sizeable loan.
- Mr B was eligible for the PPI policies and being in full-time employment and in good health, was not affected by any of the more significant potential exclusions or limitations on benefit which might have made the PPI policy less attractive, such as pre-existing medical conditions. Therefore, Mr B could have benefitted from the full cover of the policy if the need had arisen.

- Mr B has told us that he had some savings he could have used to meet his loan repayments in the event he was unable to work, but I also take into account that, in the event of needing to claim on this policy, there is likely to have been other demands on that money. I acknowledge that Mr B says that his family would have helped him meet repayments if Mr B was unable to work. However, whilst I understand the point he seeks to make, 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 policy would have helped Mr B meet his loan repayments for a guaranteed time.
- Mr B has told us he was entitled to six months but less than 12 months full pay if he had been off work due to ill health, so it is my view that he could have found it difficult to meet the loan repayments if he was unable to work. I accept that these provisions may well have afforded him with a valuable benefit. But I cannot safely conclude he had no need for the PPI's because in the event of a successful claim the policy would have provided him with cover *in addition* to any benefit he did receive and would have afforded him a more certain benefit at a difficult time. I also note that the PPI policies would have covered Mr B's repayments for a longer period than his sick pay covered.
- I can see that the loan agreements set out the monthly cost of the PPI premiums and monthly benefits, so I am satisfied that Mr B had a good idea of the likely amount he would pay for accident, sickness and unemployment cover. The monthly premium was comparable with other PPI policies offering similar benefits paid for in the same way.
- The PPI policies appears to have been *affordable* and it is my view that Mr B might well have been attracted to the security the policy provided.

Overall, having considered all of the evidence and arguments, I am persuaded that even if Hull & East did not meet Mr B's information needs, he suffered no detriment as a result of this. Rather, looking at Mr B's circumstances at the time of the sale, Mr B was likely to have considered he had a need for such cover and the costs and benefits (being such) were unlikely to have deterred him from taking out the policies.

In summary, I have carefully reviewed all the evidence submitted to me and I am satisfied that the policy was more likely than not presented as optional to Mr B and that he was not disadvantaged by any lack of information at the point of sale when he had to make the decision whether or not to buy the insurance. It follows that I am not persuaded that the policies were mis-sold.

my final decision

For the reasons outlined above I do not uphold this complaint and make no award against Hull and East Yorkshire Credit Union Limited.

Sharon Kerrison
ombudsman