

## **complaint**

It's been agreed in this case that NewDay Ltd should accept responsibility for the complaint. To keep things simple, I'll refer to NewDay Ltd as the seller in my decision.

Mr S says NewDay Ltd mis-sold him a payment protection insurance ('PPI') policy on a store card.

## **background**

This complaint is about a PPI policy taken out on a store account in 2002.

The policy cost was £0.39 per £100 Mr S owed on his store card. The policy would have paid 3% of the outstanding balance on the card each month if Mr S couldn't work because he had an accident, was unwell or lost his job.

Our adjudicator upheld the complaint. NewDay Ltd disagreed with the adjudicator's opinion, so the complaint has 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 set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Mr S' case.

I am upholding Mr S' complaint. I'll explain the reasons why I've reached this conclusion.

This policy was taken out by completing an application form and returning it by post. It is clear then that no advice was given and the policy wasn't recommended to Mr S. So Mr S didn't have to check that the policy was right for Mr S, but it did need to give him clear enough information to enable him to decide for himself if this cover was right for him.

I don't think that Mr S was given clear information about the cost of the policy, in real terms. It's possible NewDay Ltd may have explained the amount he would pay for each pound he spent on the card, but I've seen insufficient evidence that it did. And I don't know if it explained that interest would be charged on those premiums if there was an outstanding balance or that he would need to keep paying the premiums during a claim, or if it provided an easily understandable monthly cost based on various monthly amounts spent on the card. So I think that each of the above are sufficient in themselves to make me think it's likely Mr S would not have been made aware of the true cost of the policy in real terms.

I think this would have mattered to Mr S as he has told us that he would have received sick pay for up to a year if he was too ill to work, and six months of that sick pay would have been at his full rate of pay. I am aware that the cost of the policy was relatively low, but so was the benefit. And given what Mr S has told us about his employee benefits, I don't think that Mr S would have thought the policy was value for money if he had fully understood the costs.

So, overall, based on what I've seen and been told, I don't think NewDay Ltd gave clear enough information to Mr S to enable him to decide if the policy was right for him. And, if it had, I don't

think he would have taken the policy out as I don't think he would have considered it value for money. So I think Mr S has lost out as a result of what NewDay Ltd did wrong.

### **putting things right**

I don't know if the store card is still open or if it has been closed. So I've set out the compensation that would need to be paid out in either scenario.

#### *If the account has been closed:*

NewDay Ltd should put Mr S in the financial position he'd be in now if he hadn't taken out PPI.

- A. NewDay Ltd should find out how much Mr S would have owed when he closed his store card account if the policy hadn't been added.

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.

NewDay Ltd should then refund the difference between what Mr S owed when he closed his account and what he would have owed if he hadn't had PPI.

If Mr S made a successful claim under the PPI policy, NewDay Ltd can take off what he got for the claim from the amount it owes him.

- B. NewDay Ltd should add simple interest on the difference between what Mr S would have owed when he closed his account from when he closed it until he gets the refund. The interest rate should be 8% a year.<sup>†</sup>
- C. If – when NewDay Ltd works out what Mr S would have owed each month without PPI – Mr S paid more than enough to clear his balance, NewDay Ltd should also pay simple interest on the extra Mr S paid. And it should carry on paying interest until the point when Mr S would have owed NewDay Ltd something on his store card. The interest rate should be 8% a year.<sup>†</sup>
- D. NewDay Ltd should tell Mr S what it's done to work out A, B and C.

<sup>†</sup> HM Revenue & Customs requires FICL to take off tax from this interest. NewDay Ltd must give Mr S a certificate showing how much tax it's taken off if he asks for one.

#### *If the account is still open:*

NewDay Ltd should put Mr S in the financial position he'd be in now if he hadn't taken out PPI. The policy should be cancelled if it hasn't been cancelled already and:

- A. NewDay Ltd should find out how much Mr S would owe on his store 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.

NewDay Ltd should then refund the difference between what Mr S owes and what he would have owed.

If Mr S made a successful claim under the PPI policy, NewDay Ltd can take off what he got for the claim from the amount it owes him.

- B. If – when NewDay Ltd works out what Mr S would have owed each month without PPI – Mr S paid more than enough to clear his balance, NewDay Ltd should also pay simple interest on the extra Mr S paid. And it should carry on paying interest until the point when Mr S would've owed NewDay Ltd something on his store card. The interest rate should be 8% a year.<sup>†</sup>
- C. NewDay Ltd should tell Mr S what it's done to work out A and B.

<sup>†</sup> HM Revenue & Customs requires NewDay Ltd to take off tax from this interest. NewDay Ltd must give Mr S a certificate showing how much tax it's taken off if he asks for one.

### **my final decision**

For the reasons set out above, I uphold Mr S' complaint against NewDay Ltd and require them to pay Mr S compensation as set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S to accept or reject my decision before 7 February 2020.

Douglas Sayers  
**ombudsman**