

complaint

Mr and Mrs M complain Northern Bank Limited mis-sold them a payment protection insurance (PPI) policy.

background

In 2000, Mr and Mrs M took out a loan with Northern Bank. At the same time, it sold them a PPI policy.

I understand the policy covered their loan repayments if Mr M couldn't work because he was sick or lost his job. I understand it also gave him life.

Northern Bank says the loan was paid off, and the policy ended, in 2004.

Mr and Mrs M say they were pressured into buying the policy, which they didn't want or need.

The first adjudicator who looked at Mr and Mrs M's complaint thought it should be upheld. He didn't think Northern Bank had made the cost of the policy clear enough to them.

Northern Bank disagreed. It pointed out some information it says Mr and Mrs M would've got about the policy's cost. The second adjudicator who looked at Mr and Mrs M's complaint thought it shouldn't be upheld. He thought the information Northern Bank had pointed out showed the cost of the policy would've been clear to Mr and Mrs M. He also thought they'd chosen to buy the PPI and that it met their needs.

Mr and Mrs M disagree and so their complaint has come to me to decide.

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 approach to complaints about the sale of PPI on our website and I've taken this into account in deciding this complaint.

I've decided not to uphold Mr and Mrs M's complaint.

Mr and Mrs M say they feel the PPI was forced on them and they didn't want or need it. They say Northern Bank's adviser told them they had to take it as part of the loan package.

Northern Bank says its PPI was always optional and its lending decisions were never based on whether or not a customer decided to buy PPI. It also says Mr and Mrs M wouldn't have been pressured into buying it.

Mr and Mrs M and Northern Bank agree the PPI was sold in a meeting. But I don't have any notes of the meeting or any signed documents from the time. That means I have to decide what I think is likely to have happened, based on what Mr and Mrs M and Northern Bank say. I've also looked at some sample documents Northern Bank has sent us which it says Mr and Mrs M would've got.

In particular, there's a sample loan agreement Northern Bank says Mr and Mrs M would've have signed as part of its normal process back then. It has a section on PPI. There are "yes" and "no" boxes, giving a customer a choice about PPI. And the customer then has to sign beneath the "yes" or "no" box, depending on which he or she has chosen, to confirm his or her selection.

Northern Bank has also sent us a sample of the loan quote it says Mr and Mrs M would've got. This shows what their monthly loan repayments would've been over the planned five year loan term. The figures don't include PPI. But, at the end of the quote, there's a section on PPI. It's described as optional and the monthly cost is set out separately. I think this sample document shows the PPI was optional. I also think it shows the PPI was separate from the loan, not part of the loan package.

It's possible that, in Mr and Mrs M's case, Northern Bank didn't follow what it says were its normal processes. And it's possible that, despite what the sample documents say, the adviser pressured Mr and Mrs M into buying the PPI and told them it was part of the deal. But, apart from what Mr and Mrs M say, I've got no evidence that this is what happened. And looking at everything I've got, I think it's more likely Mr and Mrs M agreed to buy the PPI, knowing they had a real choice.

In making this finding, I've also looked at some documents Mr and Mrs M have sent us showing they said "no" to the PPI. But Northern Bank says Mr and Mrs M took out two other loans at around the same time as this loan, where they chose not to buy PPI. I think the documents they have sent us relate to those loans (which it seems were for around £41,000 and £7,400), rather than for this one (which was for £5,150).

Northern Bank says it recommended the PPI to Mr and Mrs M. So it needed to make sure the policy was right for them. From what Mr and Mrs M have told us about their circumstances at the time, I think the recommended PPI met their needs. I'll explain why.

Mr M had a medical condition the policy wouldn't have covered him for if he'd needed to take time off work sick for it. I don't know if Northern Bank advised Mr and Mrs M about this, as it should've. But, even if it didn't, I don't think it made the policy unsuitable for him. That's because Mr and Mrs M have told us his condition was controlled by medication and he'd never had time off work for it. So I don't think that would've stopped them buying the policy.

Mr and Mrs M have told us that, although Mrs M wasn't working, Mr M was in a secure job with good sick pay. They've also said they had savings and could've asked family for help if they'd needed it. But I don't think that made the PPI unsuitable for them. If Mr M had needed to claim, the policy would've paid out on top of his sick pay, and on top of any redundancy pay he might get if he did lose his job. And it could've paid out for much longer for sickness – cover under the policy could've lasted for as long as the five year loan term.

I also don't think the cost of the policy – around £20 a month – made it unsuitable for Mr and Mrs M, given the potential benefits the cover offered. Nor have I seen anything to suggest it was unaffordable for Mr and Mrs M.

As well as making a recommendation that met Mr and Mrs M's needs, Northern Bank had to give them clear information about the main features of the policy, so they could decide if it was right for them.

I've already mentioned the sample loan quote Mr and Mrs M were given before they took out the loan. This explains how the cost of the PPI would've been worked out. And it also sets out the expected monthly premium. So I think Mr and Mrs M probably knew how much the PPI would cost them before they bought it.

I don't know, though, if Northern Bank gave Mr and Mrs M all the other information about the policy that it should've. This would include, for example, telling them about the exclusion for existing medical conditions. But since I think Mr and Mrs M chose to buy the PPI and it was suitable for them, I don't think clearer information about these things would've stopped them from buying it.

I don't think Mr and Mrs M are worse off as a result of anything Northern Bank may have done wrong, so I don't think it needs to do anything to put things right.

my final decision

I don't uphold Mr and Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 19 February 2016.

Jane Gallacher
ombudsman