

complaint

Mrs H says Creation Financial Services Limited mis-sold her payment protection insurance (PPI).

background

Mrs H bought the insurance when she applied to Creation for a store card over the phone in 2007.

She says she wasn't told the policy was optional and its costs and benefits weren't explained to her.

In my provisional decision of 22 June 2016 (which I've attached to this final decision), I explained why I intended to uphold Mrs H's complaint. Mrs H hasn't responded to my provisional decision. Creation has told me it doesn't have any further comments to add.

my findings

I've re-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 this complaint.

Neither Creation nor Mrs H have had anything to add to my provisional decision. So, for the reasons I gave in my provisional decision, I've decided to uphold Mrs H's complaint.

putting things right

Creation should put Mrs H in the financial position she'd be in now if she hadn't taken out the insurance.

I understand the policy has been cancelled but Mrs H's store card account is still open.

As I said in my provisional decision, the only information I've got about Mrs H's account (apart from two statements from before she bought the insurance) is one from June 2009. This shows Mrs H had an account balance of £1006.16, which was £50.56 above her account limit of £950. So:

- A. Creation should work out how much Mrs H would owe on her store card if the policy hadn't been added to it. Without any other account information, I think it's fair and reasonable to assume Mrs H's account was upgraded to include PPI from July 2009 and that she paid a premium of £1.10 per £100 (that is, £1.85 minus the 75p she was already paying for the 2D policy) from then until January 2013 on an account balance of £950 each month.

So, it should remove these assumed PPI premiums, as well as any interest charged on them. It should also remove any charges that were caused by the mis-sale of the insurance – as well as any interest added to those charges.

Creation should then refund the difference between what Mrs H owes and what she would have owed.

If Mrs H made a successful claim under the policy, Creation can take off what she got for the claim from the amount it owes her.

- B. If – when Creation works out what Mrs H would have owed each month without the insurance – Mrs H paid more than enough to clear her balance, Creation should also pay simple interest on the extra Mrs H paid. And it should carry on paying interest until the point when Mrs H would've owed Creation something on her store card. The interest rate should be 8% a year.[†]
- C. Creation should tell Mrs H what it's done to work out A and B.

[†] HM Revenue & Customs requires Creation to take off tax from this interest. Creation must give Mrs H a certificate showing how much tax it's taken off if she asks for one.

Finally, I understand Mrs H may be in arrears on her account and she may have a debt management plan in place. But I have very little information about this. So, for the avoidance of doubt, I direct that the compensation I'm proposing Mrs H gets should be paid to her directly and not offset against any arrears she has on her Creation account.

my final decision

For the reasons given in my provisional decision, I uphold Mrs H's complaint and direct Creation Financial Services Limited to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 5 September 2016.

Jane Gallacher
ombudsman

COPY OF MY PROVISIONAL DECISION OF 22 JUNE 2016

complaint

Mrs H says Creation Financial Services Limited mis-sold her payment protection insurance (PPI).

background

Mrs H bought the insurance when she applied to Creation for a store card over the phone in 2007.

She says she wasn't told the policy was optional and its costs and benefits weren't explained to her.

The adjudicator who looked at Mrs H's complaint thought it should be upheld. He didn't think Creation had shown it had made it clear to Mrs H she had a choice about the policy. Creation disagrees.

my provisional 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 this complaint.

From what I've seen so far, I intend to uphold Mrs H's complaint.

But my reasons are very different from the adjudicator's. And I'd like it to be very clear to Mrs H and Creation that, if I get more information about the policy and what Mrs H paid for it while she had it, my decision could change again.

Mrs H opened her store card account in July 2007. It seems she bought the insurance over the phone two months later in September 2007.

In its letters to us, Creation describes Mrs H's insurance as PPI. But a screenshot it's sent us to show when Mrs H bought it refers to "2D PRICE/PUR PROTECTION".

I understand Creation sold three types of insurance by phone with its store cards at this time. A 1D policy gave only PPI cover. A 2D policy gave only price and purchase protection cover, so it *didn't* include PPI. A 3D policy gave both PPI *and* price and purchase protection cover.

Creation also says Mrs H's policy initially cost her 75p for each £100 she had outstanding on her card. This fits in with my understanding of what Creation charged for its 2D price and purchase protection policies at this time.

So, based on these two pieces of information, it looks as if Mrs H initially bought a 2D policy, giving her price and purchase protection cover only.

But Creation also says the PPI (as it calls it) increased in price. It says the last increase was to £1.85 for each £100 outstanding on Mrs H's account.

It's these pieces of information that trouble me. That's because I know Creation charged £1.85 per £100 for its 3D policies – that is, the policy that gave both PPI and price and purchase protection cover – at around this time.

We've asked Creation about this, because the increase in Mrs H's premium suggests to me her account was upgraded to include PPI later on. Creation says although the price went up, the benefits didn't and that it was and always had been a 2D policy.

But it hasn't given me *any* evidence of this – despite us asking for it for some time now. I would've expected it to have Mrs H's account statements dating back at least until the middle of June 2010, since it's under a legal obligation to keep these records. And I would've thought it should have copies of the letter(s) it says it sent Mrs H telling her of the price increase(s). If it does have these (or if Mrs H has any additional account statements or copy letters), please could they be sent to me.

As it is, the only evidence I've got about what Mrs H was paying for the insurance is one of her account statements from 1 June 2009 (sent to us by her representatives). This has a line saying "*Creation 2D Price and Purchase Protection (£0.75 per £100 balance)*". But Mrs H's policy wasn't cancelled for more than three years after that. So, at the moment, I don't have enough information to show me it's more likely than not the policy was a 2D policy throughout the time Mrs H had it. The price increase to £1.85 per £100 makes me think it's more likely that, sometime after June 2009, Creation upgraded the policy to include PPI.

From what we know about how Creation sold PPI at this time, I think it's unlikely it would've advised Mrs H to buy it. But it did need to give her clear enough information about the main features of the policy for her to make that decision herself. I think it's unlikely to have done this.

At this stage, I haven't seen anything to show Mrs H agreed to have her policy upgraded or that she was given a clear choice about doing so.

I also don't think Creation will have told Mrs H that she'd have to keep on paying the PPI premiums if she made a claim, meaning the benefit she got would've been lower in real terms than she'd have expected. And I don't think it would've made it clear to her that her premiums would be added to her account balance and could attract interest, making the policy more expensive than it seemed. I think it's likely that, had Mrs H known this, in her circumstances she wouldn't have thought it was good value for money. So I don't think she would've gone ahead with it.

So, at the moment, I think Mrs H has lost out because of what Creation did wrong and so it should put things right.

putting things right

Creation should put Mrs H in the financial position she'd be in now if she hadn't taken out PPI.

I understand the policy has been cancelled but Mrs H's store card account is still open.

As I've already said, the only information I've got about Mrs H's account (apart from two statements from before she bought the insurance) is one from June 2009. This shows Mrs H had an account balance of £1006.16, which was £50.56 above her account limit of £950. So:

- D. Creation should work out how much Mrs H would owe on her store card if the 3D policy hadn't been added to it. Without any other account information, I think it's fair and reasonable to assume Mrs H's account was upgraded to include PPI from July 2009 and that she paid a premium of £1.10 per £100 (that is, £1.85 minus the 75p she was already paying for the 2D policy) from then until January 2013 on an account balance of £950 each month.

So, it should remove these assumed PPI premiums, as well as any interest charged on them. 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.

Creation should then refund the difference between what Mrs H owes and what she would have owed.

If Mrs H made a successful claim under the PPI policy, Creation can take off what she got for the claim from the amount it owes her.

- E. If – when Creation works out what Mrs H would have owed each month without PPI – Mrs H paid more than enough to clear her balance, Creation should also pay simple interest on the extra Mrs H paid. And it should carry on paying interest until the point when Mrs H would've owed Creation something on her store card. The interest rate should be 8% a year.[†]
- F. Creation should tell Mrs H what it's done to work out A and B.

[†] HM Revenue & Customs requires Creation to take off tax from this interest. Creation must give Mrs H a certificate showing how much tax it's taken off if she asks for one.

Finally, I understand Mrs H may be in arrears on her account and she may have a debt management plan in place. But I have very little information about this. So, for the avoidance of doubt, I direct that the compensation I'm proposing Mrs H gets should be paid to her directly and not offset against any arrears she has on her Creation account.

my provisional decision

For the reasons I've given I intend to uphold Mrs H's complaint and direct Creation Financial Services Limited to put things right as I've set out above.

Jane Gallacher
ombudsman