

complaint

Mr and Mrs R complain that they were mis-sold a payment protection insurance ("PPI") policy when they took out a loan with Nationwide Building Society ("Nationwide").

background

I set out the full background to this case in my provisional decision which I issued in December 2015.

Both parties were invited to respond with any further comments they wanted me to consider. Neither party asked me to consider anything further.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As neither party has asked me to consider anything else I see no reason to depart from my provisional findings.

my final decision

I'm not upholding Mr and Mrs R's complaint and so it follows that Nationwide Building Society don't have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 18 February 2016.

Sally Allbeury
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr and Mrs R complain that they were mis-sold a payment protection insurance ("PPI") policy when they took out a loan with Nationwide Building Society ("Nationwide").

background

Mr and Mrs R took out a loan over seven years with Nationwide in 1995. At the same time they were sold a single premium PPI policy which covered Mr R. If Mr R was made redundant it would've covered their repayments on the loan for up to 12 months at a time. If Mr R was too ill to work it would've continued to pay out until he was fit to return or the loan was paid off.

The cost of the policy was added to their loan and they paid interest on it.

Mr and Mrs R say that they were told they had to have the policy to get the loan. They say they weren't given enough information about it.

The adjudicator thought that Mr and Mrs R's complaint should be upheld because he didn't think Nationwide had made it clear the policy was optional. Nationwide disagrees, so the case has been passed to me to make a decision.

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 PPI on our website and I've taken this into account when deciding this case.

I'm considering not upholding Mr and Mrs R's complaint. I will explain why.

Mr and Mrs R took out the loan and PPI during a phone call. During this phone call the advisor took them through a series of questions about their circumstances and recorded these on a loan application form. One of these questions was about whether they wanted PPI. The form indicates that Mr and Mrs R responded that they did want cover.

This phone call was followed up with a credit agreement for Mr and Mrs R to review and sign. On this the cost of the policy, including the interest they'd pay on it, was clearly set out. The policy was referred to as 'Optional Credit Insurance'. Nationwide also say that the reverse side of this form referred to the PPI as optional, but they haven't provided this so I don't know for sure what it said.

I think if the application form was incorrect and Mr and Mrs R hadn't, in fact, said 'yes' to the PPI, or were told they had to have it but didn't want it, that the credit agreement which followed would've made them question this. I don't doubt that Mr and Mrs R have told me their honest recollections of the sale, but over 20 years have passed since this phone call and memories can and do fade. In light of the documentary evidence I think it's more likely Mr and Mrs R knew the policy was optional and agreed to buy it.

Nationwide say that they didn't advise Mr and Mrs R to buy the policy. But they still needed to make sure that Mr and Mrs R were given enough information to decide if the policy was right for them. I don't know how the policy was presented to Mr and Mrs R in the phone call. There isn't a recording, which I don't find surprising given the length of time since the sale. I can see that the application form tells the advisor to give brief details of the cover and explain a summary of cover would follow with other documents. But I don't know whether this was done or how well it was explained.

So I've looked at the policy to see whether Mr R would've been affected by any of the important terms, such as self-employment or pre-existing medical conditions. It doesn't seem that he was.

Mr R had some sick pay from his employer so he'd have been able to keep on paying his loan comfortably for a time. But the policy would've paid out in addition to this and for much longer – potentially the whole remaining term of the seven-year loan. And it offered up to 12 months unemployment cover per claim which would've been useful as Mr and Mrs R tell me that they had no other means to call on to make their repayments.

I notice that the policy was paid for by a single premium added to the loan. This can sometimes be problematic if the borrower wants to pay the loan off early or consolidate their debts further because they might not receive a proportionate refund of their premium. But in this case I can see that they would've got a proportionate refund, so it wasn't something they needed to know about.

I can't see that Mr and Mrs R were told about the cost during the initial call, but they were given a full cost breakdown in the credit agreement before they committed to buy it. The policy was reasonable value for money for the cover it provided and I haven't seen anything which makes me think it was unaffordable for Mr and Mrs R.

Nationwide say that a policy summary was sent to Mr and Mrs R with the credit agreement. I don't know whether that happened. And I can't be satisfied that they were given enough clear, fair and not misleading information about the policy during the sales call. But I have to consider whether Mr and Mrs R are worse off as a result of these potential failings. I don't think that they are. I think more information would've just shown Mr and Mrs R that the policy was suitable for Mr R as I've already explained and so I think they still would've bought it.

my provisional decision

I'm provisionally not upholding Mr and Mrs R's complaint which would mean that Nationwide Building Society plc don't have to do anything else. But I'll consider any further information provided by either party by 11 January 2016 before making my final decision.

Sally Allbeury
ombudsman