

## **complaint**

Mr D has complained that Nationwide Building Society mis-sold him single premium payment protection insurance ("PPI").

## **background**

Mr D and his late wife took out two loans with Nationwide in 1997 and 1999. He has complained that PPI was mis-sold with both loans.

Our adjudicator did not think there was sufficient evidence to show that PPI was sold with the 1997 loan. However, he upheld the complaint about the policy sold in 1999, stating that Nationwide had not sufficiently brought to Mr D's attention the exclusion relating to claims made where the consumer knew about impending unemployment when the policy started.

Nationwide disagreed with these findings. Whilst accepting that Mr D did not have the full policy terms when applying for PPI, it has stated that he did have an application leaflet. Nationwide's view is that this brought the impending unemployment exclusion to Mr D's attention.

Nationwide has commented that it is unlikely Mr D would have applied for the policy without knowing its main features and limitations. It has also suggested that a consumer would not reasonably believe that a policy would cover an event such as unemployment that he or she knew about at the point of application. Nationwide has highlighted that when Mr D received the loan agreement for signature, he was also sent the PPI policy document, allowing him to change his mind about taking PPI at this point.

## **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 this case.

For ease of reference, I have considered the two loans taken out by Mr and Mrs D under separate sub headings.

### *the 1997 loan*

Nationwide has not been able to find any information relating to the sale of PPI on this loan. It has provided screen shots from its internal systems. In my view it is understandable that it is only able to provide limited information about the 1997 loan, bearing in mind that it was taken out a number of years ago.

I am satisfied that Nationwide has undertaken appropriate and reasonable searches to establish whether or not Mr and Mrs D took out PPI with this loan. The evidence does not show that PPI was sold at any point. Mr D has not been able to provide any evidence to show that Nationwide did sell PPI attached to the loan. Without evidence of PPI, I am unable to consider the matter further.

Should new evidence come to light at a later date that does show Mr and Mrs D took out PPI to protect the 1997 loan, Nationwide should consider that accordingly.

*the 1999 loan*

This PPI policy was in Mr D's name only. He has explained that several months before he took it out, he became aware that he was to be made redundant.

The policy terms state that unemployment claims will not be met where the policyholder knew at the start date that he or she would be made unemployed. In my view this was an important term that Nationwide should have brought to Mr and Mrs D's attention.

Mr and Mrs D filled out an application form for the loan. Nationwide states that this was part of a pack that included a leaflet giving information about PPI. It has provided a sample document which it says is similar to the one Mr and Mrs D would have received. The impending unemployment term was mentioned in the leaflet. However, where Mr and Mrs D elected to take PPI in the loan application, it did not direct them to read the leaflet.

The term was set out in the policy document, but this was provided after Mr and Mrs D had already agreed to take out PPI, at the point where they were signing the loan agreement. Overall, my view is that the impending unemployment exclusion was not sufficiently brought to Mr and Mrs D's attention before they chose to take out PPI.

Mr D says he knew he was going to be made unemployed when he took out the policy. He has confirmed the date of his redundancy, and has given details about the redundancy payment he received. On balance, I am persuaded that Mr D was indeed made redundant not long after taking out the policy. I consider that it is unlikely Mr and Mrs D would have bought the policy if they'd known about the impending unemployment exclusion.

Nationwide considers that Mr D ought reasonably to have known that unemployment wouldn't be covered if he was aware this was going to happen when he took out PPI. However, on balance my view is that it is not reasonable to expect that a policyholder would necessarily understand this was the case. Instead the onus was on Nationwide to make it clear to Mr and Mrs D that the relevant exclusion would prevent Mr D claiming for unemployment. For the reasons outlined above, my conclusion is that Nationwide mis-sold the PPI to Mr and Mrs D.

**fair compensation**

Mr D borrowed extra to pay for the PPI, so his loan was bigger than it should have been. He paid more than he should have each month and it cost him more to repay the loan than it would have. Mr D needs to get back the extra he's paid.

Nationwide should:

- Work out and pay Mr D the difference between what he paid each month on the loan and what he would have paid without PPI.
- Work out and pay Mr D the difference between what it cost to pay off the loan and what it would have cost to pay off the loan without PPI.
- Add simple interest to the extra amount Mr D paid from when he paid it until he gets it back. The rate of interest is 8% a year<sup>†</sup>.

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

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr D a certificate showing how much tax it's taken off if he asks for one.

**my final decision**

My final decision is that I uphold this complaint, and require Nationwide Building Society to pay Mr D fair compensation as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 30 January 2017.

John Swain  
**ombudsman**