

complaint

Mr C complains that NewDay Ltd mis-sold him payment protection insurance (PPI) alongside a credit card.

background

In 2001 Mr C applied for a credit card through the post in response to what looks like a mailshot. At the same time Mr C took out PPI designed to protect his card payment in the event he couldn't work because of accident, sickness or unemployment.

Upon a successful claim the policy would pay a monthly benefit of 10% of Mr C's outstanding balance for up to 12 months. It cost 78 pence for each £100 Mr C owed on the card.

The adjudicator thought Mr C's complaint should succeed because he didn't think Mr C would have bought PPI if he'd been told clearly what the cost and benefit of the policy was. So he asked NewDay to compensate Mr C.

NewDay disagrees, so the complaint comes 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 general approach to complaints about the sale of PPI on our website and I've taken what's relevant here into account in deciding Mr C's complaint.

It does not appear to be in dispute that this was a sale by post. Because of this, I'm satisfied NewDay didn't recommend the policy to Mr C. So it didn't have to ensure the cover was suitable for Mr C. But it did have to provide him with enough clear information so he could make an informed decision about it. I've kept this in mind here.

NewDay has provided a copy of the application Mr C filled out when he applied for his credit card. From this I can see – as NewDay has pointed out – that Mr C ticked the necessary box on the form to take out PPI. So I'm satisfied Mr C chose to take out the cover.

But for the reasons I will set out below, I think Mr C made his decision to take out the cover on incomplete information. So I don't think he fairly and reasonably received all of the information he needed in a clear and not misleading way to make a properly informed decision.

While NewDay has provided a copy of Mr C's application and the policy terms and conditions, it's not clear exactly what information Mr C got alongside the mailed application. The application refers to credit card terms and conditions being supplied. But it doesn't refer to anything else – the PPI section on the application simply said: *"I would like to protect my purchases and payments with....at a cost of just 78p per £100 outstanding on my monthly statement. I understand that I can cancel this insurance at any time."*

It's possible the PPI terms and conditions document was included too. But it's equally likely they were sent after Mr C had his credit card approved, which was typical industry practice at the time.

In any event the application didn't direct Mr C to the full PPI terms and conditions before making his decision. And it didn't highlight to him the important information he needed to know to make a properly informed decision. For example the exclusion around existing medical conditions wasn't fairly and reasonably brought to his attention.

And crucially I can't see Mr C was given important information about the cost – that the premiums could attract interest because they'd be added to his account balance, or that premiums were payable in the event of a claim. Both these features were important for Mr C to understand the cost and benefit of the policy and to allow him to weigh up whether the proposition still worked for him.

So all of this means that I find NewDay did not act fairly and reasonably towards Mr C in selling PPI because it didn't provide him with all the information he needed to know to make a properly informed decision about it.

has Mr C lost out?

For the reasons below, I find it more likely than not that Mr C would have come to a different decision about PPI if NewDay had done more and given him clearer information about PPI:

- Mr C had six months' full sick pay
- he had around three thousand pounds in savings
- he was in receipt of a regular monthly forces pension in excess of £500
- his property was mortgage free

So while I accept Mr C chose PPI – so he must have had some interest in what it provided – in light of his particular circumstances at the time, I think, on balance, that if NewDay had properly informed him, he would likely have decided against buying PPI. I say this because given his particular circumstances at the time and the existing means by which he could draw on in the event he was unable to work, I don't think he would have thought the cost and benefit proposition still worked for him.

I'd add here that I have some concerns Mr C told us about an existing medical condition, which caused him to have regular reviews with his doctor. I think it's possible he might not have been covered for his condition under the terms of the policy. Had he been made clearly aware of this – which I don't think he was as I found above – I think this too would have played into his thinking about whether the policy was useful for him. But I don't need to make a finding on this because I've given enough reason why I think Mr C has lost out.

So overall for the reasons I've set out above, I find Mr C has lost out as a result of the things NewDay didn't do. So NewDay needs to put things right.

putting things right

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

- A. NewDay should find out how much Mr C would have owed when he closed his credit 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 should then refund the difference between what Mr C owed when he closed his account and what he would have owed if he hadn't had PPI.

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

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

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

my final decision

For the reasons I've set out above, I've decided Mr C has lost out as a result of NewDay Ltd not acting fairly and reasonably in its dealings with him when it sold him PPI. So I make an award against NewDay Ltd as I've also set out above. I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 June 2018.

Paul Featherstone
Ombudsman