

complaint

Mrs M says that Tesco Personal Finance plc (Tesco) mis-sold her a regular premium payment protection insurance (PPI) policy with a credit card.

background

Tesco sold Mrs M the PPI with a credit card she applied for by post in 2003.

The PPI included accident, sickness and unemployment cover and cost £0.70 for every £100 covered. And for a successful claim the policy would pay 10% of the outstanding monthly balance on the credit card for up to 12 months.

Our adjudicator upheld Mrs M's complaint. Tesco didn't agree and 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 this into account in deciding Mrs M's complaint.

Tesco had to give Mrs M enough clear, fair and not misleading information about the policy so she could make a proper decision about taking PPI. They told us that Mrs M had been sent the policy information with the credit card application form. And that this would've shown her the PPI's costs and benefits.

I've looked at the documents Tesco say would've been given to Mrs M. Looking at the credit card application Mrs M signed, I can't see the PPI's cost clearly highlighted anywhere on it. And although the PPI cost is shown in the policy information documents, I don't think it's highlighted in a way that Mrs M would've seen.

Also, nothing clearly highlights that Mrs M would have to pay interest on the PPI cost if she didn't pay the outstanding balance each month. So I don't think Tesco did do enough to give Mrs M enough clear, fair and not misleading information about the policy before she signed the application.

Having found there were some information failings in how PPI was sold to Mrs M, I must now decide if she lost out as a result. Would Mrs M have taken PPI if Tesco had given her enough proper information about it?

I've set out the PPI's cost and main benefits above. Mrs M told us she had work benefits equal to 6 months full and 6 months half pay. And savings worth about six months of her salary. I think that what Mrs M has told us about these things is plausible and persuasive. And I've not seen any information that would suggest Mrs M was wrong about what's she's said.

So if Tesco had given her enough proper information, I think Mrs M would've thought she was buying cover she didn't really need. And so I don't think Mrs M would've taken the PPI because I don't think she'd have thought it was good value for money.

So for the above reasons I uphold Mrs M's complaint.

what Tesco should do to put things right

Tesco should put Mrs M in the financial position she'd be in now if she hadn't taken out PPI. The policy should be cancelled if it hasn't been cancelled already and:

- A. Tesco should find out how much Mrs M would owe on her credit card if the policy hadn't been added to it.

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.

Tesco should then refund the difference between what Mrs M owes and what she would have owed.

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

- B. If – when Tesco works out what Mrs M would have owed each month without PPI – Mrs M paid more than enough to clear her balance, Tesco should also pay simple interest (at 8% a year) on the extra Mrs M paid. And it should carry on paying interest until the point when Mrs M would've owed Tesco something on her credit card.[†]

- C. Tesco should tell Mrs M what it's done to work out A and B.

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

my final decision

For the reasons I've explained above, I uphold Mrs M's complaint. Tesco Personal Finance plc should pay Mrs M compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 9 November 2015.

Julian Cridge
ombudsman