

complaint

Mr Q complains that NewDay Ltd (NewDay) mis-sold him a payment protection insurance policy (PPI) with his credit card.

background

Mr Q made a postal application for a credit card in 2001. PPI was added at the same time.

The PPI cost £0.75p per £100 of outstanding balance. It would've paid 10% of the credit card balance for up to 12 months if Mr Q had been unable to work because of accident or sickness or if he became unemployed. The PPI would also have paid the outstanding balance of the credit card if Mr Q had died.

Mr Q says that he didn't know that the PPI was optional and that he wasn't given enough information about the PPI to decide whether he wanted it or not

Our adjudicator has upheld Mr Q's complaint. NewDay don't agree and have asked that an ombudsman make a decision.

my findings

I have considered all the available evidence and arguments to decide what is 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.

I've decided to uphold Mr Q's complaint.

was it clear that the PPI was optional and did Mr Q agree to have it?

Mr Q completed a postal application form. I've seen a copy of the application form. There is a section on the form offering the option to have PPI cover by ticking a "Yes" or "No" box. There is a tick in the "Yes" box and the form is signed and dated by Mr Q.

Mr Q clearly had to make an active choice to have the PPI and did so. There is nothing on the face of the form which would appear to suggest that PPI was a requirement in order to have the credit card.

I think the fact that Mr Q had to make an active choice whether or not to have PPI indicates that there was an option and that Mr Q chose to have it.

did NewDay meet Mr Q's information needs?

NewDay had to provide Mr Q with information that was fair, clear and not misleading and sufficient to reasonably enable him to make an informed decision about whether he wished to have the PPI. It should also have drawn Mr Q's attention to the key features, exclusions and costs of the policy.

NewDay says that Mr Q was provided with enough information to enable him to make a decision about whether he wanted PPI. However this wasn't provided to him at the time that

he completed the application the application form that I've seen contains little, if any, information about PPI. There is no information about the key features, exclusions or cost.

I therefore have to consider whether Mr Q would've acted differently if he'd been given enough information by NewDay when he completed his application.

Mr Q doesn't appear to have been caught by any of the exclusions within the PPI so he would've been able to make full use of the benefits in the event that he needed to make a claim.

I don't think NewDay gave Mr Q enough information about the cost and benefit of the PPI. Mr Q would've had to keep paying the premiums during a claim. This would've reduced the real value of the benefit below the level that NewDay say Mr Q would get.

Mr Q would've received up to six months full and six months half pay from his employers if he'd been unable to work due to accident or sickness. He'd also been in his job for a few years, it was reasonably secure employment and would've provided good redundancy pay should he have become unemployed. In addition Mr Q has told us that he had an income protection insurance policy that would've covered him for up to 18 months.

I don't think Mr Q would still have wanted to take out the policy if he had better understood the PPI cost and benefit to him. I am not satisfied he would have considered the PPI represented good value for money in his circumstances.

I think Mr Q has lost out as a result of NewDay's failings in this case, because I don't think he would've taken out the policy if he'd been given the necessary information.

putting things right

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

- A. NewDay should find out how much Mr Q would've 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 Q owed when he closed his account and what he would've owed if he hadn't had PPI.

If Mr Q 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. NewDay should add simple interest on the difference between what Mr Q would've 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 Q would've owed each month without PPI – Mr Q paid more than enough to clear his balance, NewDay should also pay simple interest on the extra Mr Q paid. And it should carry on paying interest until the point when Mr Q would've owed NewDay something on his credit card. The interest rate should be 8% a year from.[†]

D. NewDay should tell Mr Q 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 Q a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons set out above I uphold Mr Q's complaint.

NewDay Ltd should follow my instructions to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr Q to accept or reject my decision before 24 March 2015.

Peter Kemp
ombudsman