

complaint

This complaint concerns the sale of a regular premium payment protection insurance (PPI) policy in October 2006, with premiums paid on a month by month basis, in connection with a furniture loan.

Mr B arranged a loan – in store – of £2,459 over 24 months to enable his purchase. Following the completion of the credit agreement in the store, he was then sent information regarding a PPI policy and an acceptance form which he signed to agree to the purchase of the PPI policy. The PPI policy provided cover for accident, sickness or unemployment and cost £12.81 per month.

Mr B considers that Creation Financial Services Limited (who sold the policy) acted unfairly in the way the PPI policy was sold to him. In particular, he says that he was misled as to whether he would be able to claim upon the policy in the event of absence from work, or unemployment, caused by the knee problem with which he suffered at the time of the sale.

my findings

I have considered all of the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances. I have also taken into account the relevant regulatory rules as well as the law and good industry practice at the time the policy was sold.

It seems to me that the relevant considerations in this case are materially the same as those set out on our website. The overarching questions I need to consider, therefore, are:

- whether Creation gave Mr B information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying; and
- Whether, in giving any advice or recommendation, Creation took adequate steps to ensure that the product it recommended was suitable for Mr B's needs.

In the event that Creation didn't do this, I also need to consider whether Mr B acted to his detriment as a consequence of any shortcoming on Creation's part – in other words whether he purchased a policy he wouldn't or shouldn't have otherwise.

In this case, I am satisfied that Creation did not give *advice* about whether Mr B should take out the policy; its documentation makes it fairly clear that it did not, and Mr B's testimony isn't that he received a *personal recommendation* to do so, only that he was told that it might be worth thinking about the cover, and that notwithstanding that he was off work at the time of the sale the policy could be of use to him when he returned to work, as he expected.

What this means is that I am not going to consider whether the policy was *suitable* for Mr B, but instead whether Creation gave Mr B information that was clear, fair and not misleading in order to inform his decision about the insurance he was buying.

The adjudicator concluded that the information provided to Mr B had not been adequate to properly inform his decision and, though I consider that the issue is finely balanced, I agree; and as the case turns upon this point, I will focus on this aspect in my decision.

My principal concern is the lack of emphasis within the 'Acceptance Form' upon the significant exclusions and limitations which affect the policy. The customer, here Mr B, is reminded that "*all you need to do is sign the DD instruction below*"; and whilst the form includes a 'declaration' which includes the words "*I have read and understood the attached policy summary*" that declaration doesn't have to be signed separately and isn't prominent within the form. So it isn't immediately clear to me that Mr B would have been alerted to the fact that the summary details some very significant exclusions and limitations, which may be of real relevance to his decision.

And the policy summary which is referenced is presented in a much smaller font than any of the other material with which it was sent, including the Acceptance Form and the fact sheet ('Did You know?') which outlines the risks posed by finance default and benefits of the policy in an emphatic way; the policy summary – in small, close type – may not have been easy for Mr B to understand, even if its importance had been signposted to him more clearly, which it was not.

So I'm not persuaded that Creation has discharged its obligations towards Mr B. And it seems to me to be hard to escape the conclusion that, with a fuller understanding of the policy terms, Mr B would not have purchased it. I say so because:

- By the time Mr B received the acceptance form (several weeks *after* the point of sale of the furniture), he had been off work with his knee condition not just for a few weeks (as at that other juncture) but around three months.
- So it's hard not to speculate that he would have been anxious as to whether and when he would be able to return to work; long term disability through his knee condition (perhaps even leading to the loss of his employment) must have been a possibility, or by this juncture *likelihood* – for which he would not be able to claim.
- Taking out the policy (which could only offer cover for about 21 months by this point), doesn't seem logical in these circumstances, and it seems to me that Mr B simply wouldn't have done so with a full understanding.

Mr B offers an explanation as to why he took out the policy notwithstanding its shortcomings: he says that he was reassured by comments made by the furniture sales representative some weeks before that notwithstanding that he was 'off sick' the policy could provide cover when he returned to work. He says that in the circumstances, and without a strong steer that he should do so, he did not scrutinise the policy details in any depth.

I'm not really able to determine what may or may not have been said when the finance was put in place; the evidence is inconclusive. And I suspect any conversation was of a general nature, so I'm not sure Mr B should have relied upon it to any great extent. But it does give me an insight into why Mr B may have made what appears to have been an illogical decision - in the absence of sufficient emphasis in the sales literature that he needed to give close consideration to the policy summary and terms.

my final decision

My final decision is that I uphold this complaint.

Therefore, in accordance with our normal approach to redress in such cases, I conclude that Creation Financial Services Limited should put Mr B back into the position he would have been in had he not taken out the PPI policy.

To achieve this, Creation will need to pay Mr B the value of the premiums paid to the policy from the date of commencement to the cancellation date. Creation will also need to add interest calculated at 8% simple per year on the value of the proportion of each premium from the date it was paid to the settlement date.

Geoffrey Futer
ombudsman