

complaint

Mrs W says Creation Financial Services Limited (“Creation”) mis-sold her a payment protection insurance (“PPI”) policy.

background

In 2006 Creation sold Mrs W a monthly premium PPI policy to cover her store card account. The sale took place over the phone. The policy offered life, unemployment, accident and sickness cover.

Our adjudicator upheld the complaint. She didn’t think Creation made the cost and benefits of the policy clear enough to Mrs W. And she didn’t think Mrs W would’ve bought it, if it had.

Creation disagreed. And so, the complaint was referred to me.

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 W’s case.

Creation was required to give Mrs W enough clear information about the policy before she bought it – so she could decide whether it was right for her. This included making the cost and benefits of the policy clear. And I don’t think it did.

I’ve looked at the policy document Creation gave us from 2004 and the call script it says would’ve been used for this sale in 2006. These documents show the cost of the policy at that time was £1.50 per £100 of the outstanding balance on the card. And the monthly benefit for accident, sickness and unemployment cover is described as the minimum monthly payment to the account.

Creation says the cost and benefits would’ve been explained to Mrs W during the sales call. I’ve listened to a recording of this call. But I don’t think the sales person explained this information clearly enough.

The sales person described the cost as *‘one and a half pence per pound on the balance on your statement each month’*. She also said the monthly cost would be charged to Mrs W’s account. But she didn’t explain that the premiums could attract interest as a result – making the policy more expensive than it seemed.

The sales person also explained that the policy would cover the minimum monthly payment due to the account in the event of unemployment, accident or sickness. But she didn’t tell Mrs W she’d have to keep paying the premium if she made a claim – which meant the benefit was lower in real terms.

Weighing everything up, I don’t think Mrs W would’ve known from the call how much she’d really be paying for the policy each month from the limited information she was given. And I don’t think she would’ve properly understood the benefit.

Creation says Mrs W would've been sent the policy documents after the sale, which set out the cost and benefits in more detail. But she should've been given enough clear information *before* she agreed to buy it. And I don't think this happened for the reasons I've explained.

This means Mrs W wasn't able to weigh up what she was getting for her money or whether the policy was worthwhile before she bought it. And I don't think she would've taken it out if she'd been given this chance.

I say this because the account terms and conditions Creation gave us show that the minimum monthly payment due to the account would've been £5 or 4% of the outstanding balance (whichever was greater). And, given the cost of the policy, I don't think Mrs W would've considered the policy good value for money if she'd properly understood the details. She already had some sick pay. And I don't think the extra benefits (such as life and purchase protection cover) would've been enough to make her want to buy it.

In summary, I don't think Mrs W would've gone ahead to buy the PPI if Creation had given her enough clear information about it. This means I think Mrs W has lost out as a result of what Creation did wrong. So it needs to put things right.

what Creation must do to put things right

Creation should put Mrs W 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. Creation should find out how much Mrs W would owe on her store 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.

Creation should then refund the difference between what Mrs W owes and what she would have owed.

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

- B. If – when Creation works out what Mrs W would have owed each month without PPI – Mrs W paid more than enough to clear her balance, Creation should also pay simple interest on the extra Mrs W paid. And it should carry on paying interest until the point when Mrs W would've owed Creation something on her store card. The interest rate is 8% a year.†

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

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

my final decision

For the reasons I've explained, I uphold Mrs W's complaint. Creation Financial Services Limited must pay Mrs W the fair compensation I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 22 February 2016.

Joanna Brown
ombudsman