complaint

Mr and Mrs G say Bank of Scotland plc (BOS) mis-sold them two regular monthly premium payment protection insurance (PPI) polices.

background

I issued my provisional decision in September 2015, a copy of which is attached and forms part of this final decision. In my provisional decision I explained why I was intending to uphold Mr and Mrs G’s complaint. I invited all parties to let me have any further submissions before I reached a final decision.

Mr and Mrs G confirmed they didn’t have anything to add. And BOS didn’t respond to my decision.

my findings

I’ve re-considered all the evidence and arguments already sent to us by the parties to decide what’s fair and reasonable. And I’ve reached the same conclusions I reached in my provisional decision, for the same reasons.

my final decision

For the reasons I’ve explained above, I partially uphold Mr and Mrs G’s complaint.

Bank of Scotland plc must pay Mr and Mrs G compensation in line with instructions set out in my provisional decision.

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

Julian Cridge
ombudsman

provisional decision

background

Halifax sold Mrs and Mrs G the policies (in Mr G's name) with two secured loans in meetings in 2002 and 2004. Halifax is now part of BOS and to keep things simple I'll just refer to Halifax in this decision.

The policies included unemployment, accident and sickness cover. The 2002 policy cost £32.24 a month and the 2004 policy cost £33.75 a month. And for a successful claim the policies would've paid the monthly loan costs for up to:

- 60 months for accident and sickness
- 12 months for unemployment

Our adjudicator didn't uphold Mr and Mrs G's complaint but Mr and Mrs G disagreed with this. So, the complaint comes to me to decide.

my provisional 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 Mr and Mrs G's complaint.

the 2002 sale of PPI

Halifax had to make it clear to Mr and Mrs G that the PPI was optional and Mr and Mrs G said this wasn't done. Mr and Mrs G haven't given us much detail about what was said in the meeting to make them think this. I think that's understandable as the policy was sold so long ago. So I've placed more weight on what the documents from the time show.

Halifax don't have a copy of the application they say Mr and Mrs G would've filled in to take the loan and PPI. They've sent us a copy of the loan agreement Mr and Mrs G signed and they said this made it clear the PPI was optional.

I've looked at the loan agreement and it mentions that Mr and Mrs G chose to take PPI in their application. Nothing else on the agreement suggests that the PPI might be optional – such as having a box to tick to take PPI or a separate signature box to show the customer wanted PPI. And as I've not seen a copy of the application form, I can't say it's likely Mr and Mrs G chose to take PPI on that form. Or that the application form made it clear the PPI was optional.

So taking this all into account, I can't say it's likely Halifax did make clear to Mr and Mrs G that the PPI was optional. And I currently intend to uphold this part of their complaint.

the 2004 sale of PPI

Like the 2002 sale, Halifax needed to make it clear the 2004 PPI policy was optional. And I've similarly placed more weight on what the documents from the time show because Mr and Mrs G have – understandably – not given us much detail about the 2004 sale.

Halifax sent us a copy of the loan agreement Mr and Mrs G signed and its layout is different from the 2002 agreement. The loan agreement had boxes to say 'Yes' or 'No' to taking PPI. And I can see that the 'Yes' box has an 'X' in it to take PPI. And Mr and Mrs G have signed underneath this. From this I think that Mr and Mrs G would've realised they had a choice about taking PPI at the time. And that they chose to take it. So I think Halifax did make it clear the 2004 PPI policy was optional.

Mr and Mrs G and Halifax agree that Halifax recommended the policy to them during a meeting at a Halifax branch. And from what Mr and Mrs G told us about their circumstances at the time, I think the policy was suitable for Mr G.

I've set out the policy's costs and main benefits above. And Mr G met the policy's age, employment and UK residency requirements and so was eligible for it.

Mr and Mrs G told us they were both employed when they took the policy. And they had more than six but less than 12 months' work benefits and that they would've received help from friends and family if needed.

But the loan was granted for 8 years. And Mr and Mrs G didn't have any other ways of meeting the monthly mortgage payments and other living costs if they were out of work for longer than their work benefits would cover. Also, whilst friends and family might've wanted to help out, I can't say it's likely they would've been able to at the time.

Nothing Mr and Mrs G told us suggested they needed to keep their costs down. Nor was there anything in the policy's terms and conditions that would obviously prevent Mr G from making a successful claim if he needed to. For example, Mr G told us he was in full time employment and good health when the policy was sold. So Mr G wouldn't have been affected by terms relating to unusual employment or known medical conditions. So I think the PPI was suitable for Mr G.

Halifax needed to properly explain the policy's costs, benefits, exclusions and limitations. They haven't told us anything that explains what was actually said to Mr and Mrs G about these things. And Mr and Mrs G told us Halifax didn't give them proper information about the policy. So I can't say it's likely Halifax did give Mr and Mrs G all the information they needed to know before they decided to take PPI.

So having found it's likely there were some information gaps in the sales process I now have to decide if Mr and Mrs G lost out as a result. Would they have taken the policy if Halifax had properly told them about it?

I've explained that Mr and Mrs G had some ways to pay the loan if they stopped working. But that they didn't have any other cover once these ran out. And I've explained why I think the policy was suitable for Mr G.

So I think Mr and Mrs G would've thought the policy gave important cover to protect the repayments on their home and that its costs and benefits were competitive. So I think Mr and Mrs G would've taken the 2004 policy and I don't currently intend to uphold their complaint about it.

what BOS must do to put things right

BOS should put Mr and Mrs G in the position they'd be in now if they hadn't taken out the 2002 PPI policy. The policy should be cancelled, if it hasn't been cancelled already, and BOS should:

- Pay Mr and Mrs G the amount they paid each month for the 2002 PPI policy

- Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 8% a year †.

- If Mr and Mrs G made a successful claim under the 2002 PPI policy, BOS can take off what they got for the claim from the amount it owes them.

† HM Revenue & Customs requires BOS to take off tax from this interest. BOS must give Mr and Mrs G a certificate showing how much tax it's taken off if they ask for one.

my provisional decision

For the reasons I've explained above I currently intend to partially uphold Mr and Mrs G's complaint.

I propose Bank of Scotland plc pay Mr and Mrs G the compensation in line with the instructions set out above.

Julian Cridge
ombudsman