

complaint

Ms B says Grampian Credit Union Limited mis-sold her a payment protection insurance (PPI) policy.

background

This complaint is about a regular premium PPI policy taken out with a loan in 2004. Ms B applied for the PPI over the phone.

Our adjudicator upheld the complaint. Grampian disagreed with the adjudicator's opinion so the complaint has been passed 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 Ms B's case.

I've decided to uphold Ms B's complaint because I don't think Grampian gave Ms B clear enough information about the policy. I say this because Ms B had a pre-existing medical condition, and I don't think Grampian made the policy exclusions in relation to this clear enough. I think this would've mattered to Ms B given the nature of her condition and because she wouldn't have been able to claim on the policy if she couldn't work because of it.

Grampian has said it would've told Ms B that pre-existing medical conditions may not be covered during the phone sale, and that Ms B didn't say she had a medical condition at the time. But it hasn't been able to send us a recording of the call, a telephone script, or any original paperwork that might give me a good idea of what was most likely discussed. So I don't agree with Grampian that this is clear or that this is what most likely happened.

I've seen the sample 'demands and needs' form Grampian has sent us. This sets out certain situations in which Grampian wouldn't have made a personal recommendation to take out PPI. However, none of these situations appear to be for where a customer has a pre-existing medical condition. So this form doesn't show me what might've most likely happened in this situation. I can also see this sample is dated 2005, so I'm not sure this form would've been used in Ms B's case anyway.

Grampian has also sent us Ms B's signed loan agreement, which I understand she would've completed after the phone sale. And I can see that on this form there's a tick in a box next to a statement "*...I have read the Payment Protection Insurance summary of cover and confirm my eligibility for the cover selected*".

Grampian says this shows Ms B was given the policy paperwork, and that the paperwork showed pre-existing medical conditions may not be covered. However, the loan agreement doesn't explain the relevant policy exclusions. And I haven't seen anything that makes me think the policy summary would've clearly explained these important exclusions to Ms B either. I say this because although Grampian has sent us a policy summary, it's dated for 2008, so I don't think I can rely on it.

I've also looked at the full policy document Grampian has sent us from 2004. But this sets out the relevant exclusions on page five of a closely worded document. So even if Ms B was given this document, I don't think this would've made this important information clear enough in this case. I can also see that the policy document is for a different insurer compared to the policy summary Grampian has sent, which makes me think at least one of these documents wouldn't have applied to Ms B's sale.

Overall, I think it's most likely that Ms B wasn't given clear information about the pre-existing medical condition exclusions during the phone sale, and that any paperwork she might've subsequently received didn't sufficiently highlight these exclusions in a way to make up for this.

Grampian has said that Ms B would've been covered for other conditions, and that her pre-existing medical condition wouldn't have affected the accident and unemployment cover provided by the policy. But I don't think Ms B would've bought the policy if Grampian had given her enough information about it. So, I think Ms B has lost out because of what Grampian did wrong.

I've listened to everything Grampian has said. But for the reasons explained above, I still think I should uphold the complaint.

putting things right

Grampian should put Ms B in the 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 Grampian should:

- Pay Ms B the amount she paid each month for the PPI.
- Add simple interest to each payment from when she paid it until she gets it back. The rate of interest is 8% a year.[†]
- If Ms B made a successful claim under the PPI policy, Grampian can take off what she got for the claim from the amount it owes her.

[†] HM Revenue & Customs requires Grampian to take off tax from this interest. Grampian must give Ms B 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 Ms B's complaint.

Grampian Credit Union Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 2 May 2017.

Neil Bridge
ombudsman