complaint

Miss G complained that Tesco Personal Finance PLC ("Tesco") mis-sold her a payment protection insurance ("PPI") policy when she took out a credit card with it, in 2000.

background

Miss G was sold the PPI when she applied for a credit card by post. The policy cost 70p per £100 of the monthly outstanding balance on her card. If Miss G was off work sick or became unemployed it would've paid 10% of her outstanding monthly balance for up to 12 months. The policy also provided life cover which would have paid the outstanding balance on her credit card account, up to a maximum of £5,000, in the unfortunate event of her death.

Our adjudicator thought that Miss G's complaint should be upheld because the costs and benefits of the policy hadn't been clearly explained to her. Tesco disagreed and asked for an ombudsman's decision.

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 this complaint.

Having considered all the information, I've decided to uphold Miss G's complaint.

Miss G said that she didn't tick a box on her credit agreement to select the PPI. She said that she thinks that this was added later, after she'd completed the application form. As I'm upholding Miss G's complaint for another reason, I don't need to decide whether this was the case.

Miss G made her application by post and I'm satisfied that Tesco didn't advise her to take the PPI. That means that Tesco didn't have to take steps to ensure that the PPI was suitable for Miss G. But it still had to give her clear, fair and not misleading information to allow her to make a decision about taking the PPI. And having looked at all the information I've been given, I'm not satisfied that Tesco did this.

I've seen a copy of Miss G's credit card application form and it didn't contain any information about the cost of the PPI. Also, the information on the benefit the PPI provided was insufficient. Tesco said that information on the cost and benefit of the policy was set out clearly in documents it provided with the application form. But the application form doesn't say anything about reading this information before deciding to take the PPI. So, I don't think that Tesco did enough to draw Miss G's attention to the cost and benefit of the PPI at the time of sale.

I've also looked at the information which Tesco has pointed to in the documents that accompanied the application form. Even if Miss G did read this, I don't think she would have had the information she needed (on the cost and benefit) to allow her to make an informed decision about the PPI. For example, the information in the attached documents didn't make it clear that interest would be charged on the premiums or that she would have to continue to pay the premium during a claim.

I think that this information would have mattered to Miss G because she told us that she had sufficient means to meet her repayments if she'd been unable to work or lost her job. Miss G said that her employer would have paid up to six months full pay and six months half pay if she'd been off work sick. And she told us she had approximately four months' worth of salary in savings at the time of sale. What Miss G has told us about her work benefits is plausible. And as I haven't seen any evidence to contradict it, I'm persuaded that Miss G would have had these benefits if she'd been off work sick.

Tesco asked for evidence of Miss G's savings at the time of sale. Miss G said that she wasn't able to provide this. And given the passage of time, it's not surprising that Miss G hasn't been able to provide statements or other evidence in support of what she's said she had. But this doesn't mean that Miss G didn't have this level of savings. I've considered all of Tesco's comments and looked at all the information I've been given and I think it's likely that Miss G did have the equivalent of four months' worth of savings when she was sold the PPI. I say this because Miss G was working and was almost 30 years old. So I think she would have been able to build up that level of savings.

I think that if Tesco had given Miss G clearer and better information about the costs and benefits of the PPI policy she wouldn't have considered she had a need for it (or that it would have provided a significant benefit to her) and she wouldn't have taken it.

So, I've decided to uphold Miss G's complaint.

putting things right

Tesco should put Miss G in the financial position she'd be in now if she hadn't taken out PPI. I understand that the PPI policy has now been cancelled:

A. Tesco should find out how much Miss G would owe on her credit 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.

   Tesco should then refund the difference between what Miss G owes and what she would have owed.

   If Miss G made a successful claim under the PPI policy, Tesco can take off what she got for the claim from the amount it owes her.

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

C. Tesco should tell Miss G what it's done to work out A and B.

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

my final decision

I uphold this complaint against Tesco Personal Finance PLC and require it to put things right for Miss G, as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 8 February 2016.

Avril O'Meara
ombudsman