

## **complaint**

Mr B complained that he was mis-sold a store card payment protection insurance (PPI) policy. Financial Insurance Company Limited ("FICL") has taken responsibility for this complaint.

## **background**

Mr B bought the policy in February 2003 when he took out a store card. FICL said that the sale took place in-store, and that Mr B wasn't advised to take the PPI. Mr B said he wasn't given a choice about the PPI.

The policy cost 89p for each £100 Mr B owed on his store card. If he'd successfully claimed on the policy, each month it would've paid out 10% of what he owed on the card when he stopped working. This would've carried on for up to 12 months for unemployment, or until he returned to work or the balance was cleared for an accident or sickness claim.

Our adjudicator thought FICL hadn't clearly explained the cost and benefits of the policy. And he thought Mr B wouldn't have bought the policy if it had. So he upheld the complaint.

## **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 Mr B's case.

I've decided to uphold Mr B's complaint.

FICL sent us a copy of Mr B's store card application. This shows that he signed the form – separately from his signature for the credit – to say that he wanted to take out the PPI. From this I think Mr B most likely had a choice about whether to take the PPI, and that he *did* choose to take it. I think he probably just doesn't remember doing so.

From the evidence I have, I don't think FICL advised Mr B to take out the PPI. But it should still have given him enough information for him to decide if the policy was right for him. I'm not satisfied that it did.

As the sale took place in a store I can't know how the salesperson explained the policy. I can't say whether FICL clearly pointed out the main things the policy doesn't cover. But I don't think Mr B would have been affected by any of these.

However, the cost of the PPI is covered very briefly on the store card application form. I have a copy of the PPI policy, but FICL said that this would've been sent out after the sale. So it's not clear what policy information Mr B would've had at the point of sale. From all this, I don't think Mr B would've realised that he would have had to keep paying for the policy during a claim – which means the benefit is lower in real terms. I also don't think Mr B would've understood that the premium would be added to his store card balance and he could be charged interest on it.

Mr B told us that, when he took out the policy, he was entitled to sick pay from his employer of between six and twelve months' pay. He also said he had savings of between three and

six months' salary that he could've relied on. So I think Mr B would've been able to keep up the minimum repayments for quite a while if he was off sick or lost his job. On balance, and taking into account his circumstances, I don't think Mr B would've considered the PPI to be good value for him.

Because of this, I don't think Mr B would've decided to take out the PPI with the store card if he'd fully understood the cost and benefits. This means Mr B is worse off as a result of what FICL did wrong, so it needs to put things right.

### **fair compensation**

FICL should put Mr B in the financial position he'd be in now if he hadn't taken out PPI. If possible

- A. FICL should find out how much Mr B would have owed when his store card account was closed if the policy hadn't been added.

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.

FICL should then refund the difference between what Mr B owed when his account was closed and what he would have owed if he hadn't had PPI.

If Mr B made a successful claim under the PPI policy, FICL can take off what he got for the claim from the amount it owes him.

- B. FICL should add simple interest on the difference between what Mr B would have owed when his account was closed, from when it closed until he gets the refund. The interest rate should be 8% a year.<sup>†</sup>
- C. If – when FICL works out what Mr B would have owed each month without PPI – Mr B paid more than enough to clear his balance, FICL should also pay simple interest on the extra Mr B paid. And it should carry on paying interest until the point when Mr B would've owed FICL something on his store card. The interest rate should be 8% a year.<sup>†</sup>

FICL may not be able to work out A, B and C if it doesn't know when the PPI premiums were added, how much the PPI premiums were and/or how much interest was charged on those premiums. So if FICL can't do A, B and C, it should:

- D. use what it knows about Mr B – and, if necessary, consumers who took out the same type of PPI policy for the same length of time – to estimate how much he paid for PPI (including interest) – and pay this to Mr B instead of A, B and C.

If Mr B made a successful claim under the PPI policy, FICL can take off what he got for the claim from the amount it owes him.

- E. FICL should add simple interest on this amount (D) from the date the account was closed until the date Mr B gets his refund. The interest rate should be 8% a year.<sup>†</sup>

- F. FICL should tell Mr B what it's done to work out his compensation – and if it has to estimate how much he paid for PPI, it should explain why and give Mr B the chance to provide any missing information.

† HM Revenue & Customs requires FICL to take off tax from this interest. FICL must give Mr B a certificate showing how much tax it's taken off if he asks for one.

**my final decision**

For the reasons I've explained, I've decided to uphold Mr B's complaint. Financial Insurance Company Limited must pay him the compensation I've described.

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

Jan Ferrari  
**ombudsman**