

summary of complaint

This complaint concerns a monthly premium payment protection insurance (PPI) policy, sold in 2000 in connection with a credit card. Mr C says that MBNA Limited ("MBNA") mis-sold the policy.

my findings

In deciding what is fair and reasonable in the individual circumstances of this case, I have considered the issues in accordance with our general approach to considering complaints about the mis-sale of PPI, which is well-documented. This includes taking into account the law and good industry practice at the time the policy was sold. In essence, the questions I need to consider are:

- whether MBNA gave Mr C information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying;
- whether, in giving any advice or recommendation, MBNA took adequate steps to ensure that the product it recommended was suitable for Mr C's needs.

If there were shortcomings in the way in which MBNA sold the policy, I then need to consider whether Mr C is worse off as a result; that is, would he have done something different - ie not taken out the policy - if there had been no shortcomings.

MBNA says the sale was completed by way of a postal application (a copy of which it has supplied) and it did not give advice about whether Mr C should take out the policy. The documentary evidence from the sale supports this was a postal application. However, Mr C's submissions indicate that he recalls a phone conversation taking place. He says that he telephoned MBNA before receiving the postal application and it was in this call he was led to believe that he was required to select PPI for his application to be approved and advised to take it out.

I accept that it is possible Mr C spoke to a representative of MBNA before he applied for the card. While MBNA says it did not provide advice I can see there may be some doubt about that, given that it sent a personally addressed application form to Mr C which said "*We strongly recommend you take out this cover.*" But I have drawn no conclusion about whether or not this was an advised sale because I do not consider it crucial to the outcome of the complaint. I say this because I am not persuaded the policy would have been an unsuitable recommendation for Mr C's needs at the time, even if it were recommended.

My reasoning is as follows:

- Mr C was eligible for the cover (according to the policy terms supplied by MBNA as relevant at the time of sale).
- Mr C's circumstances at the time do not suggest that he would have been affected by any of the significant limitations or exclusions of the cover, (such as those relating to pre-existing medical conditions or unusual employment arrangements). So he could have expected to benefit from the full extent of the cover provided by the policy.

- If Mr C had been unable to work as a result of sickness, accident or unemployment, his circumstances suggest it is likely he could have found it difficult to meet the credit card payments. The policy provided a benefit (3% of the outstanding balance for accident and sickness or unemployment claims) that would barely cover the minimum repayment each month. For many people, the credit card's minimum repayment would be a small liability when considered against their overall financial position. Those in a stable financial position might be able to meet such a small liability, for a time, even without their main income – so they might think this policy offered little value for its cost.

However, it seems to me that Mr C's financial position was such that if he had stopped working he would have struggled almost immediately to meet even his minimum credit card repayments. Mr C says he would receive sick pay from his employer for only one month. He had no other policies or means to fall back on in the event of him being off work ill for an extended period of time or if he was made redundant. According to his application form he also had another credit card with an outstanding balance close to the card limit.

Put simply, from what I can tell of Mr C's circumstances at the time, he had little 'breathing space' at all to cope if he had been unable to work. In light of his precarious situation – and given that the cost of the policy was relatively low (compared to others in the market) – I cannot safely conclude the policy was unsuitable for him despite the relatively low benefit it provided. In light of this, I am not persuaded that Mr C had no need for the policy at that time or that it was an unsuitable recommendation given his circumstances.

- As mentioned above the cost of the policy was competitive compared to other similar policies. The charge is detailed on the application form as 68p per £100 of the outstanding monthly balance. This cost is not in my view excessive and appears to have been manageable for Mr C at the time.

It follows that I am satisfied that, if a recommendation was made, the policy was a suitable recommendation for someone in Mr C's circumstances.

Mr C says he only chose to take out the policy because he was told it would guarantee him getting the credit card. I can see how he might have thought so, given that the credit card application form strongly recommended taking out the cover.

I have considered this point very carefully, paying close attention to the evidence provided by MBNA and Mr C's testimony. Whilst I do not doubt this is Mr C's genuine recollection, I must take into consideration the length of time since the sale took place. The documentation MBNA has presented me with does not say or imply the PPI was a condition of taking the card. For example, the application form required Mr C to make an active selection by way of a tick box to enrol for PPI and there was an option to decline the cover. I am also not persuaded I can safely conclude he did not consent to the policy or that the optional nature of it was not made clear to him.

In conclusion, while I accept it is possible there may have been shortcomings in the way the policy was sold, I am not persuaded Mr C has been disadvantaged as a result. It seems to me that he appears to have chosen to take out the insurance, had a need for it, and could have benefited from the cover it provided. I am not persuaded the policy was unsuitable or that Mr C would have acted differently and declined the policy had he been better informed.

It follows that I am not persuaded this policy was mis-sold.

my final decision

For the reasons described above I do not uphold this complaint or make any award against MBNA Limited.

Daniel Little
ombudsman