

complaint

Mr H complains that he was mis-sold a credit card payment protection insurance (PPI) policy. NewDay Ltd ("NewDay") has taken responsibility for this complaint.

background

Mr H bought the policy when he took out a credit card in January 2000. NewDay said that Mr H applied for the card by post, and that it didn't advise him to take the PPI. Mr H couldn't remember how he bought the policy but thinks it was just added to his credit card account by NewDay. Mr H said he wasn't happy the policy was added because he was self-employed at the time of the sale.

The policy cost 72p for each £100 Mr H owed on his credit card. If he'd successfully claimed on the policy, each month it would have paid out 10% of what he owed on the card and Mr H would've been covered for up to 12 months per claim.

Our adjudicator thought that, as Mr H was self-employed at the time of the sale, the terms of the policy made it more difficult for him to make an unemployment claim. And he thought Mr H wouldn't have bought the policy if he'd understood this. So our adjudicator 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 H's case.

I've decided to uphold Mr H's complaint and I'll explain why.

NewDay couldn't give us a copy of Mr H's credit card application and given how long ago the sale took place that's not surprising. But it sent us a sample copy of an application from about the time of the sale, along with the policy details and a copy of its computer records of Mr H's account. From all this I think it's most likely that Mr H applied for his credit card by post. The sample application form shows 'yes' and 'no' tick boxes for the customer to say whether they wanted PPI. So I think Mr H probably chose to take the PPI when he filled in the form.

I don't think NewDay advised Mr H to take out the PPI. But it still had to give him enough information for him to decide if the policy was right for him. And I'm not satisfied that it did.

The credit card application form shows the cost of the policy as 72p per £100 outstanding. But it doesn't show any details of the cover, and nor does it include a reference to any other document which may have had more information. I have a copy of the PPI policy, but I don't know when Mr H might've received this. So I don't know what policy details Mr H would've had when he completed out the form.

Mr H told us he was self-employed at the time of the sale. 'Involuntary Unemployment' was defined in the policy, and for self-employed people this was "*unemployment as a result of the declared bankruptcy or insolvency or the liquidation of your own business*". And the policy

wouldn't pay out if *"You are Self-Employed and You cannot provide proof that You have stopped trading and finished Your Self-Employed business by production of a certificate from Your accountant and Your official notice from the Commissioner for the Inland Revenue.*

I think these policy terms would've made it difficult for Mr H to make a claim for unemployment – much more so than for an employed person. Mr H's business may have gone through good times and bad times financially, but that doesn't mean that he would necessarily have had to completely stop trading. But he wouldn't have been able to claim on the policy unless he'd done so and proved this to NewDay.

As I've said, I don't know exactly what information Mr H had at the point of sale. Even if he'd had a copy of the policy, I think he could easily have missed the terms that I've set out above - the policy is in quite small print, and Mr H would've had to cross-reference different sections to find them.

If NewDay had given Mr H the right information at the right time I don't think he would've bought the policy. I say this because if he'd understood that it would've been more difficult for him, as a self-employed person, to claim for unemployment, I think he would've decided the policy didn't offer him what he needed. This means Mr H is worse off as a result of what NewDay did wrong, so it needs to put things right.

putting things right

NewDay should put Mr H in the financial position he would be in now if he hadn't taken out PPI. The policy should be cancelled if it hasn't been cancelled already and:

- A. NewDay should find out how much Mr H would owe on his 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.

NewDay should then refund the difference between what Mr H owes and what he would have owed.

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

- B. If – when NewDay works out what Mr H would've owed each month without PPI – Mr H paid more than enough to clear his balance, NewDay should also pay simple interest on the extra Mr H paid. And it should carry on paying interest until the point when Mr H would've owed NewDay something on his credit card. The interest rate should be 8% a year.†
- C. NewDay should tell Mr H what it's done to work out A and B.

† HM Revenue & Customs requires NewDay to take off tax from this interest. NewDay must give Mr H 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 H's complaint. NewDay Limited must pay him the compensation I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 August 2017.

Michael Ranaghan
ombudsman