

complaint

Mr R says DFS Trading Limited ("DFS") mis-sold him a payment protection insurance ("PPI") policy.

background

In 2005 DFS sold Mr R a regular premium PPI policy alongside a hire purchase agreement. The sale took place in a meeting in store. Mr R was self-employed at the time. DFS tells us the policy cost £74.80 per month and it offered unemployment, accident and sickness cover. It also offered life cover.

Our adjudicator upheld the complaint. She didn't think the PPI was suitable for Mr R because he was self-employed at the time DFS sold it to him.

DFS didn't respond to the adjudicator's assessment. And so, the case was referred to me for a final 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 about the sale of PPI complaints on our website and I've taken this into account in deciding Mr R's complaint.

I've decided to uphold this complaint for the same reasons as the adjudicator.

DFS advised Mr R to buy the policy. It says it would've carried out a detailed fact find and then recommended the policy to Mr R on that basis. This means it had to make sure it was suitable for his needs. It also had to give him enough information about the terms and conditions of the policy so he could decide whether to go ahead with it. This included pointing out the main exclusions and limitations.

Looking at the policy document, the circumstances in which Mr R could make a claim for unemployment were limited because he was self-employed. The policy document says:

'If you are self-employed you will be considered unemployed if you have been declared bankrupt by a court of law or your business has ceased trading through insolvency under the Insolvency Act 1986 or subsequent legislation...'

Looking at the term, Mr R wouldn't have been able to claim for unemployment until his business had, in effect, already suffered significant financial difficulty. So I don't think the policy was suitable for him. This means I don't think DFS should've recommended it to him.

I also don't think it's likely DFS highlighted this restrictive term to Mr R *before* he bought the PPI. Given he couldn't benefit from one of the main elements of cover; I think this would've been an important consideration for him when deciding whether or not to buy it. And I don't think he would've taken the PPI if DFS had clearly explained the terms.

This means Mr R has lost out as a result of something DFS did wrong. So it needs to put things right.

fair compensation

DFS should put Mr R in the position he'd be in now if he hadn't taken out PPI. The policy should be cancelled, if it hasn't been cancelled already, and DFS should:

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

[†] HM Revenue & Customs requires DFS to take off tax from this interest. DFS must give Mr R 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 uphold Mr R's complaint. DFS Trading Limited must pay Mr R the fair compensation I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 January 2016.

Joanna Brown
ombudsman