

complaint

Mr W has complained that NewDay Ltd mis-sold him a payment protection insurance (PPI) policy.

background

Mr W bought the PPI policy in 1998, in connection with a credit card the policy cost was 65p for each £100 Mr W owed on his credit card. If he'd successfully claimed on the policy, each month it would've paid out 10% of what he owed on the card for up to 12 months.

The adjudicator thought that NewDay had mis-sold the policy and upheld Mr W's complaint. NewDay didn't agree, so the complaint has been 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 to complaints about the sale of PPI on our website and I've taken this into account in deciding this case.

I've decided to uphold Mr W's complaint – my reasons are set out below.

NewDay has told us that Mr W wasn't given advice about buying the policy and, having looked at all the available evidence, I agree. So, I've thought about whether NewDay gave Mr W enough clear and fair information about the policy to make an informed choice about whether or not he wanted it.

In this case, I don't think NewDay did give Mr W enough information and I explain why below.

The policy document states that unemployment is defined as *"Being entirely without work due to redundancy or business cessation."* So, in the case of self-employed policyholders, it would be necessary for their business to cease in order to make a successful unemployment claim.

The policy document goes on to define business cessation as *"...being entirely without work as a result of the involuntary winding up, liquidation or bankruptcy of your own business or proceedings being commenced by a third party to effect such status..."*.

This is important because it limits the instances in which a self-employed policyholder can claim unemployment benefit to this one stated scenario, and prevents a policyholder from claiming if, for example, they simply couldn't find enough work. As such, it should have been clearly brought to Mr W's attention as a significant term.

I've looked at the PPI application form that NewDay has provided. I don't think this document makes the self-employment policy terms clear. Furthermore, there is no specific reference to reading the policy document before signing the application, (assuming it was provided at this stage of the process).

Even if Mr W did read the policy document, I think he would have found it difficult to work out the requirements for a self-employed policyholder to make an unemployment claim. The document is written in small, closely-worded text, and it would have been necessary for Mr W to have referred to the final section on the “*meaning of words*” and then to cross-reference a number of terms within that section.

I think it’s likely Mr W didn’t get enough clear information about the policy to make an informed choice. This matters because Mr W has told us he was self-employed when he took out the policy. So I don’t think he’d have wanted the cover if he’d known about the limited circumstances under which self-employed policyholders could make a successful claim for unemployment.

Weighing everything up, I think Mr W has lost out because of what NewDay did wrong. It follows that I’ve decided to uphold this complaint.

I’ve considered NewDay’s submissions but these don’t change my conclusion.

fair compensation

NewDay should put Mr W in the financial position he’d be in now if he hadn’t taken out PPI.

- A. NewDay should find out how much Mr W would’ve owed when he closed his credit card account 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.

NewDay should then refund the difference between what Mr W owed when he closed his account and what he would’ve owed if he hadn’t had PPI.

If Mr W 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. NewDay should add simple interest on the difference between what Mr W would have owed when he closed his account from when he closed it until he gets the refund. The interest rate should be 15% a year until April 1993 and 8% a year from then on.†
- C. If – when NewDay works out what Mr W would have owed each month without PPI – Mr W paid more than enough to clear his balance, NewDay should also pay simple interest on the extra Mr W paid. And it should carry on paying interest until the point when Mr W would’ve owed NewDay something on his credit card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.†
- D. NewDay should tell Mr W what it’s done to work out A, B and C.

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

my final decision

For the reasons set out above, I uphold this complaint and direct NewDay Ltd to pay Mr W compensation as set out above. I make no further award.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr W to accept or reject my decision before 3 October 2016.

Jagdeep Tiwana
ombudsman