

complaint

Mrs M complains about a payment protection insurance ('PPI') policy that she was sold by MBNA Limited ('MBNA') in connection with her credit card. She considers she should have her credit card balance paid off because that's what MBNA told her the PPI would do in the event of a successful claim.

background

Mrs M took out the policy in January 2008 to protect her credit card repayments in case she couldn't work because of an accident, sickness or unemployment – subject to the terms of policy.

In February 2013 Mrs M made a claim under the policy as she was suffering from ill health and couldn't work. Under the policy MBNA paid a monthly benefit of 5% of the original outstanding balance at the 'claim event date', February 2013, until September 2014. Then the benefits ended, but there was still an outstanding balance of around £3,000 on the card which Mrs M is unhappy about. She says that when MBNA sold her the policy it said that if she needed to make a claim under it, the policy would protect her by paying off the entire balance and clearing any of the credit card debt.

Mrs M complained to MBNA, saying that she had expected the entire credit card balance to have been cleared at the end of the claim. Unhappy with MBNA's response, she referred her complaint to us. Our adjudicator who considered it did not recommend that the complaint should succeed. While Mrs M has told us MBNA gave her the impression that a successful claim on the policy would lead to the credit card balance being cleared entirely, this was not what the policy said it would do in the terms and conditions. In the absence of further evidence showing what Mrs M had been told by MBNA at the time of the sale, the adjudicator did not feel able to conclude that MBNA had done or said anything to give Mrs M a reasonable expectation that the policy benefits would pay off all the outstanding balance on her credit card. Mrs M did not accept the adjudicator's assessment and asked for her complaint to be passed to an ombudsman 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.

Mrs M has told us that for her the situation is simple: MBNA told her the PPI would cover her credit card in the event that she couldn't work because of illness. She says that she therefore cannot accept that at the end of the claim period she still owes anything on the card.

The policy terms state that claims for accident and sickness will continue until the outstanding balance is paid. But "outstanding balance" is defined in the policy as "The maximum you owe to the Coverholder under the Agreement in the previous monthly statement period at the commencement date of Your Disability". In other words, the outstanding balance is what is owed at the start of the claim – not what is owed at the conclusion of the claim period. As the credit card balance would continue to accrue interest and charges throughout the claim period, it follows that there will be an outstanding balance at the end of a claim. So on the face of it the insurance benefits paid out to Mrs M are consistent with the policy terms.

Another aspect of Mrs M's complaint is that the claims process was never explained to her by MBNA. She says she was only told about it when the benefit payments stopped and she made enquiries. She is adamant that never at any point during the PPI sale was it mentioned to her that policy premiums and interest and charges on her credit card would continue to accrue over the claim period. She has made the point that had she known this, then she would have disputed the charges at that point or set aside money to cover them.

MBNA's position is that the policy terms above clearly state that the policy provides cover for the balance outstanding on the claim event date, February 2013, as opposed to the balance at the end of the claim period. It says that Mrs M was aware, or ought to have been aware, of the PPI policy terms, having been provided with them at the point of sale and again when she requested a copy prior to making the claim. MBNA has also made the point that the terms and conditions of Mrs M's policy state that the insurer will not be responsible for any charges that accrue on the account after the claim event date. Therefore, the balance outstanding when Mrs M's claim ended in September 2014 was the result of the PPI premiums, interest, fees and transactions that had been charged to her account after February 2013. MBNA says the policy has worked as it was described, clearing the full amount outstanding at the start of the claim.

However, in May 2013 MBNA accepted that the policy had likely been mis-sold to Mrs M, but said that because she had successfully claimed under it and received benefit, it had calculated that there was no compensation to be paid for the mis-sale. MBNA says that around £14,500 has been paid out for the claim by the policy insurer, so no compensation is due.

I conclude, having carefully considered all of the available evidence in this complaint, that MBNA is not required now to pay any amount to Mrs M for her remaining credit card balance.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 2 November 2015.

Claire O'Connor
ombudsman