

## **complaint**

Mr S complained that he was mis-sold a loan payment protection insurance (PPI) policy by Leeds City Credit Union Limited ("LCCU").

## **background**

Mr S bought the PPI policy with a loan in March 2010. Mr S said that he filled in a form for the loan and PPI, and also had a meeting at LCCU – where he said he was advised to take out the PPI. LCCU said that Mr S filled in forms at home and then brought them into LCCU, and that it didn't offer advice on the PPI. Mr S said that he was told the loan would be looked at more favourably with the PPI, and that it would cover him for all eventualities, including the health problems he had at the time of the sale.

The monthly cost of the policy isn't entirely clear. The loan agreement shows an insurance premium of £18.01, but I don't know if this included anything other than the PPI. Other information I have shows the premium as £7.22 per £100 repayment insured. The policy provided accident, sickness and unemployment cover for Mr S. If he'd made a successful claim, the policy would've covered the loan repayments for up to 12 months per claim for unemployment, or 24 months for accident or sickness.

Our adjudicator thought LCCU hadn't clearly pointed out what the policy didn't cover, and that - because of his health problems - Mr S wouldn't have bought the policy if it had. So she upheld the complaint. LCCU disagreed, so the complaint has come to me for review.

## **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 S's case.

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

LCCU sent in copies of the loan agreement and a separate PPI application form (which has a summary of the PPI cover). LCCU said that it didn't advise Mr S to take out the PPI. Mr S disagreed. From what's on the documentation, it looks as though advice wasn't given. However, LCCU should still have given Mr S enough information for him to decide if the policy was right for him. I'm not satisfied it did.

Mr S said he had had a recurring health condition for many years. He sent in a letter from his GP to say that this started in 1993 (and probably earlier). The letter went on to say that Mr S had had treatment 'on and off', and, at the date of writing (2014), was undergoing further investigation and treatment for the condition. The PPI policy summary shown on the application says that pre-existing medical conditions wouldn't be covered. So Mr S's health problems would've limited his cover.

Mr S signed an application form for the PPI, and he also ticked a box on the loan agreement to say that he wanted it. LCCU said that the exclusion was clearly set out on the PPI application. It also said that Mr S had ticked a box to say he was in good health at the time of the sale.

I've considered these points very carefully. I can see that Mr S did indeed tick a box to say that he was in good health. But this was on the loan application – not the PPI application – so I don't think he would easily have understood that this was relevant to the PPI. I also think Mr S might well have considered himself in good health on the day he filled in the forms, as his condition seems to be recurring rather than constant. So overall I don't think that the question on the loan application would've been enough, on its own, to alert Mr S to the possibility of his health condition limiting his PPI cover.

I can also see from the PPI application form that the exclusion relating to pre-existing medical conditions is in rather small (and dense) print, as is the rest of the form. LCCU said that the exclusions were highlighted by use of a title in bold print, and bullet points. I accept that this is the case, but other sections had a similar layout, and I don't think the exclusion in question particularly stood out. So I don't think Mr S would necessarily have spotted it, and understood the implications for *him*.

LCCU has also argued that the nature of Mr S's condition meant that he was unlikely to have needed more than 30 days off work as a result of this condition. It's impossible to know what might've happened, or what Mr S could've anticipated when he took out the PPI. But the exclusion relating to pre-existing medical conditions should've been drawn to Mr S's attention so that he could've made an informed decision about the policy when he bought it. From what I've seen, I don't think that what's on the forms was enough, in Mr S's particular case, for him to have easily understood the limitation in the cover available to him.

Overall, I don't think Mr S would've taken out the cover if he'd understood that he wouldn't have been able to claim on the policy for everything he expected to be able to. This means Mr S is worse off as a result of what LCCU did wrong, so it should put things right.

### **fair compensation**

LCCU should put Mr S in the position he'd be in now if he hadn't taken out PPI. So it should:

- Pay Mr S 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<sup>†</sup>.
- If Mr S made a successful claim under the PPI policy, LCCU can take off what he got for the claim from the amount it owes him.

<sup>†</sup> HM Revenue & Customs requires LCCU to deduct tax from this interest. LCCU must give Mr S a certificate showing how much tax it has taken off if he asks for one.

### **my final decision**

For the reasons I've explained, I've decided to uphold Mr S's complaint. Leeds City Credit Union Limited should pay him the compensation I've described.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 1 December 2016.

Jan Ferrari  
**ombudsman**