Financial Ombudsman Service

complaint

Mrs M complains that Bank of Scotland plc, trading as Halifax, mis-sold her a regular premium payment protection insurance (PPI) policy.

background

Mrs M applied for a credit card with Halifax in November 2005 online. The PPI policy was added to her account during the credit card activation call in March 2006.

The cost of the policy was 78p per £100 of the monthly outstanding balance. The benefit was 10% of the monthly outstanding balance for up to a maximum of 12 months' per claim for accident, sickness and unemployment. The policy also provided some other benefits in addition to these main benefits.

Our adjudicator upheld Mrs M's complaint.

Halifax didn't agree with the adjudicator and the complaint has been passed to me.

my findings

I've considered all the available evidence and arguments to decide what is 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 Mrs M's case.

Having done that, I've decided to uphold Mrs M's complaint.

Mrs M complains that PPI was added to her account without her consent. When she applied for the card she did so via the internet. Some months passed between this and when she took the PPI-so I don't think I can place significant weight on what the internet application process on the internet said about PPI.

It appears that Mrs M then called Halifax to activate her credit card in March 2006. Halifax doesn't have a recording of Mrs M's call. Nor have they been able to provide us with a sample sales script relating to the call. So I can't say how the policy was introduced into the call and whether or not the representative did obtain Mrs M's consent to add the PPI to her account – or whether the representative would've been prompted to ask for her consent.

The documents sent out following the call are standard and so give me no insight into any aspect of the conversation during the call. These documents also do not address the issue of whether or not Mrs M actually consented to the policy.

Given Mrs M's representatives indication that the PPI was neither requested or agreed to and the lack of a call recording from Halifax, I can't say it is likely Mrs M did consent to the policy.

So I uphold Mrs M's complaint.

What the business should do to put things right

Halifax should put Mrs M in the financial position she'd be in now if she hadn't taken out PPI. The policy should be cancelled if it hasn't been cancelled already and:

A. Halifax should find out how much Mrs M would owe on her 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.

   Halifax should then refund the difference between what Mrs M owes and what she would have owed.

   If Mrs M made a successful claim under the PPI policy, Halifax can take off what she got for the claim from the amount it owes her.

B. If – when Halifax works out what Mrs M would have owed each month without PPI – Mrs M paid more than enough to clear her balance, Halifax should also pay simple interest on the extra Mrs M paid. And it should carry on paying interest until the point when Mrs M would've owed Halifax something on her credit card. The interest rate should be 8% a year. †

C. Halifax should tell Mrs M what it's done to work out A and B.

† HM Revenue & Customs requires Halifax to take off tax from this interest. Halifax must give Mrs M a certificate showing how much tax it's taken off, if she asks for one.

my final decision

For the reasons set out above, I uphold Mrs M's complaint and require Bank of Scotland plc, trading as Halifax, to pay Mrs M fair compensation, as outlined above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs M to accept or reject my decision before 5 November 2015.

Rod Glyn-Thomas
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