

complaint

Ms S complains that Northern Bank Limited mis-sold payment protection insurance (PPI) to her, with a loan.

background

In 2002 Ms S took out a personal loan from Northern Bank. She also bought a single premium PPI policy, to cover her repayments if she was off work sick, or lost her job. It gave her life cover, too. The premium for the policy was added to her loan.

Ms S has raised various issues about the way Northern Bank sold the PPI to her. These include that she didn't want or ask for PPI, she wasn't told it was optional, and that the policy wasn't suitable for her.

Our adjudicators felt her complaint shouldn't be upheld. But Ms S disagrees, so it's been passed to me to decide.

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 considering Ms S's case.

I've decided not to uphold her complaint. I'll explain why.

was Ms S given a choice?

Ms S and Northern Bank agree that the PPI was sold face to face, during a meeting. But I haven't been given any notes of their discussions. And I haven't seen an application form for the loan, or a loan agreement, which has been filled in or signed by Ms S.

This isn't very surprising, as it's a long time since the sale took place. But it means I can't know what was said. So I have to decide what's most likely to have happened, based on what Ms S and Northern Bank have been able to tell us about the sales process, and the sample documents from around that time which Northern Bank has sent to us.

In particular, Northern Bank has given us examples of the sort of application form and loan agreement it thinks Ms S will have signed, as part of its usual sales procedure at that time. I see these both include boxes for ticking 'yes' or 'no' to having PPI. Each option is equally prominent. And the loan agreement requires a customer to sign, to confirm their choice.

So although I've not seen an application form or a loan agreement actually signed by Ms S, I think it's likely she did sign these, with the boxes ticked for wishing to take out PPI - even if many years later she may not remember doing that. And in my view, those forms were enough to make it clear she had a choice whether or not to buy PPI.

I can't be sure what Northern Bank's adviser told Ms S in their meeting. Ms S says Northern Bank 'implied that it would be better to take' the PPI.

It's possible that on this occasion Northern Bank didn't follow its normal sales process. But I've seen nothing which shows me that Northern Bank told Ms S she had to have PPI. Or which clearly shows me it did or said anything to lead her to think that whether she bought PPI would affect whether she got the loan. Or that it put her under any unfair pressure to have PPI.

So taking into account the example documents, and what Northern Bank has told us about its sales procedures in 2002, I think it probably did enough to make it clear to Ms S that she was free to choose whether to have PPI. And that she then decided to take it out.

Ms S has complained too that Northern Bank didn't tell her she could get a different PPI policy, including from somewhere else, if she wanted to. But I don't think it had to do that. In my view, it was enough if Northern Bank made it clear she didn't have to buy PPI at all. Which I think it did.

did Northern Bank give her good enough advice and information?

Ms S says Northern Bank recommended the PPI to her. From what I've read and been told, I think that's probably right. And this meant Northern Bank had to take steps to find out about her circumstances and check the policy would meet her needs. It also had to give her details of the cost and explain the main features of the PPI, so she could decide whether to buy it.

I don't know what was said between Ms S and Northern Bank's adviser about the terms and cost of the PPI. Or what questions Northern Bank asked her, to find out about her needs. But I've looked at what's explained about the cost in the sample loan agreement Northern Bank has sent us, since as I've said, I think it's likely Ms S did sign an agreement of that sort.

That agreement will've shown Ms S that there would be another loan, added to the main loan, to pay the PPI premium. And it will've told her how much the premium would be, and set out the interest on it and the total and monthly payments for the PPI. So Ms S would've known there'd be interest charged on the PPI premium, and what the policy was going to cost, before she agreed to buy it.

As for explaining the features of the PPI cover, Northern Bank says that as part of its sales process it'll have given Ms S written details of the policy. But I don't know whether Northern Bank did this, and if so when – or whether she had an opportunity to read them properly before agreeing to have the PPI.

Northern Bank also says its adviser will've given Ms S an explanation of the PPI in the meeting. And that may be right. But I've not seen any record of these discussions. So in my view it's possible Northern Bank didn't give Ms S good enough information about the PPI, before she bought it, for her to be able to decide whether to have it.

In particular, I don't know what Northern Bank said to Ms S, if anything, about the effect of early cancellation of the policy. If the policy was cancelled before the end of its term, I can see that Ms S mightn't have got back as much of the premium as she might've expected. And based just on the documents I've got, I think Northern Bank might've made this clearer.

But I've seen nothing that in my view shows that, at the time she bought the PPI, Ms S had in mind paying the loan off early. So even if the position had been made clearer, I don't think it would've altered her decision to buy the PPI.

Overall, based on what I've read and been told, I think the policy that Northern Bank recommended met Ms S's needs. I think the information Northern Bank gave Ms S about the policy could've been better. But I don't think this would ultimately have altered her decision to take it out.

I say this because from what I know about her situation when she took out the PPI, and the terms of the policy, Ms S was eligible for it. The potential benefits under it were worth more than it cost. I don't think any of the main things it didn't cover would've put her off having it. And I've not been told anything to show she couldn't afford it.

Ms S has told us she felt she had a secure job, and would've got full sick pay for six months if she was off work ill or injured, then six months' half pay. And I've taken this into account. But the loan was for 21 months. The PPI benefits would've been on top of any sick pay or redundancy payment she might've got, leaving that money available to meet other day to day expenses. And they could've gone on for longer than her sick pay.

As far as I know, Ms S didn't have any savings, existing insurance or other means of making her repayments, if she wasn't working. She's said her family might've been able to help her out. But circumstances can change, sometimes dramatically and unexpectedly. So I don't think she could've been sure they'd be able or willing to assist her, when she needed it.

So I think the PPI could've been useful for Ms S. And that she'd probably still have bought it, even if Northern Bank had given her better information about it. Which means there's nothing Northern Bank needs to do to put things right.

With only very limited evidence about how Ms S came to buy the PPI, and not having seen any actual documents from the sale, this has been a difficult case to decide. I've thought carefully about all the points Ms S and her representatives have made. But based on the information I've got, on balance I don't think it would be fair and reasonable to uphold this complaint.

Ms S's representatives have also referred me to another decision of the Service, in a different complaint, which they feel is relevant. And I've looked at that case. But we deal with each complaint on its own facts and merits. And I'm deciding this complaint based on all the information I've been given.

I understand Ms S also took out other loans with Northern Bank. But this decision is just about the PPI she bought with the loan she got in June 2002.

my final decision

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 5 February 2016.

Chris Langford
ombudsman