

complaint

Mr W says Tesco Personal Finance PLC mis-sold him a payment protection insurance (PPI) policy.

background

In 2000, Mr W applied for a credit card by post and took out a PPI policy at the same time. The policy cost 70p per £100 of the monthly outstanding balance. If Mr W was off work sick or became unemployed it would've paid 10% of the outstanding balance for up to 12 months. And, if Mr W had died, the policy would've repaid up to £5,000 of the amount he owed on the card.

One of my ombudsman colleagues considered Mr W's complaint and issued a provisional decision in January 2016 explaining why she thought the complaint should be upheld. Mr W had nothing to add to what she'd said and we didn't get a reply from Tesco.

The case has been passed to me to make a final decision in my colleague's absence.

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 W's case.

I've decided to uphold Mr W's complaint because I don't think Tesco gave Mr W clear enough information about how much the policy would cost and what the benefit would be if he made a successful claim. This wasn't explained on the application form and Mr W wasn't told to read the product literature before deciding whether or not to buy the policy. But even if he *had* read the literature I can't see that it explained, for example, that interest would be charged on the PPI premiums or that he would still have to pay the premium during a claim.

Mr W's employer provided him with a good amount of sick pay and I don't doubt what he tells us about the savings he had when he took out the credit card and PPI. So, at that time, I think Mr W could probably have met his credit card repayments for a while without the policy. So I don't think he'd have wanted the policy if he'd properly understood the cost and benefits.

putting things right

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

- A. Tesco should find out how much Mr W would have 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.

Tesco should then refund the difference between what Mr W owed when he closed his account and what he would have owed if he hadn't had PPI.

If Mr W made a successful claim under the PPI policy, Tesco can take off what he got for the claim from the amount it owes him.

- B. Tesco 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 8% a year.[†]
- C. If – when Tesco works out what Mr W would have owed each month without PPI – Mr W paid more than enough to clear his balance, Tesco 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 Tesco something on his credit card. The interest rate should be 8% a year.[†]
- D. Tesco should tell Mr W what it's done to work out A, B and C.

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

my final decision

My final decision is that I uphold this complaint and Tesco Personal Finance PLC must work out if any compensation is due using the calculation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 April 2016.

Ruth Hersey
ombudsman