

## **complaint**

Mr W says that NewDay Ltd (NewDay) (formerly trading as Progressive Credit Limited) mis-sold him a credit card payment protection insurance (PPI) policy.

## **background**

Mr W bought the PPI policy in 2005 when he took out a credit card by post. The cost of the policy was 85p for each £100 he owed on his credit card. The policy gave him life, accident, sickness and unemployment cover. If he'd successfully claimed on the policy, each month it would've paid out 3% of what he owed on the card for up to 12 months.

Our adjudicator upheld the complaint. He said NewDay should've made the costs and benefits of the policy clearer. And if NewDay had done so, given his circumstances he didn't think Mr W would've taken out the policy. He also found that NewDay didn't make it clear the policy was optional.

NewDay disagreed with the adjudicator. It says Mr W was given enough information about the cost of the policy. And the monthly premium for the policy would have appeared on Mr W's credit card statements.

## **my findings**

I've considered all of the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I think the relevant issues to take into account are the same as those set out in the note on our website about our approach to PPI complaints.

I've decided to uphold Mr W's complaint for the following reasons.

The information NewDay gave Mr W about the cost and benefit wasn't as clear as it should have been. Mr W would need to keep paying the premiums during a claim. This would reduce the real value of the policy benefit below the level that NewDay explained in its leaflet.

I accept that the headline cost of the insurance is mentioned on the application form. But there is no reference to anything which would draw a consumer's attention to the importance of any explanation about interest being payable on the insurance or clear information about the importance of reading information about the policy benefit.

I think this was important information and would have affected Mr W's decision I say this because Mr W doesn't appear to have had a strong need for the policy. He had other ways to meet his credit card repayments for a while without the policy. He had good sickness cover at work. His employer would continue to pay him in full for six months followed by a further six months at half pay.

Mr W has also told us that he had savings he could have used to help him meet his credit card repayments And Mr W had been with his employer for a considerable length of time, over thirty years, so it's likely he would have received a very generous redundancy payment if he lost his job.

When I weigh up his workplace benefits and other means he could have relied on against the limited benefit the policy would pay each month, I think clearer cost and benefit information would've put him off taking out the policy because Mr W is unlikely to have seen the policy as offering good value in his circumstances. And I conclude that this complaint should be upheld for these reasons.

I've taken into account NewDay's comments, including what it said about Mr W using his workplace benefits to cover his other living expenses. But this doesn't change my conclusion.

I know there is a dispute about whether the policy was presented as optional. But because I've upheld this complaint for the reasons already given, I don't need to consider this issue any further.

### **fair compensation**

NewDay will need to put Mr W back in the position he'd have been in if he'd taken out his credit card without PPI. I understand that the PPI policy was cancelled and the credit card account closed. So NewDay should:

- A. Work out what the final balance of Mr W's credit card account would have been if the PPI policy had *not* been added to the account.

This will involve NewDay removing the PPI premiums, any interest that was charged on the premiums and any charges (and interest on those charges) that would not have applied if the PPI had not been added to the account.

NewDay should then pay Mr W the difference between his final balance and what the final balance would have been without PPI.

- B. Pay Mr W interest at 8% per year simple<sup>†</sup> on this difference (between his final balance and what the final balance would have been without PPI) from the date the account closed to the date of settlement.
- C. If at any time Mr W's credit card account would have been in credit had PPI not been added, NewDay should pay Mr W interest at 8% per year simple<sup>†</sup> on the credit balance for the time it would have stayed in credit.
- D. Set out in writing to Mr W how it has calculated the compensation in A, B and C.

<sup>†</sup> HM Revenue & Customs requires NewDay to deduct tax from any simple interest payments. NewDay must give Mr W a certificate of tax deduction if he asks for one.

### **my final decision**

I uphold Mr W's complaint and direct NewDay Ltd to pay Mr W compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I am required to ask M W to accept or reject my decision before 29 January 2015.

Sharon Kerrison  
**ombudsman**