

## **complaint**

Mr M complains that he was mis-sold a payment protection insurance (PPI) policy when he took out a credit card with NewDay Ltd, trading as 'People's Bank of Connecticut'.

## **background**

Mr M applied for a credit card with People's Bank of Connecticut (People's Bank) in 2000 by completing and signing a leaflet application form.

He ticked a box when he completed the leaflet application indicating that he wanted to take '*People's Bank Balance, Payment and Purchase Protection*'.

This policy was paid for by monthly premiums and cost 75 pence per £100 of the monthly balance on the credit card account. In the event that Mr M was able to make a successful claim it would pay 10% of the outstanding balance on the account for up to 12 months if he was unable to work due to disability or involuntary unemployment. It would also pay a set sum in the unfortunate event of Mr M's death. The policy also contained insurance for items purchased using the card for up to 90 days.

Mr M complains that he was mis-sold the PPI policy. He says that he was not provided with enough information to make an informed choice about whether it was right for him.

The adjudicator upheld the complaint as he thought that the term relating to self-employment was so restrictive that, had Mr M known about it, he would not have decided to take the policy.

People's Bank didn't agree and so the complaint has been passed to me for a decision.

## **my findings**

I have considered all of 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 Mr M's case.

Mr M tells us that he applied for a credit card by completing a leaflet, and we have been provided with a copy of his application. I can see that he ticked a box on that form electing to take PPI. And I think that he had a choice about whether to do so as he could have ticked either a 'yes' or 'no' box, each of which were given equal prominence.

Mr M has also accepted that he wasn't given any direct advice, or a recommendation by People's Bank that PPI was right for him. And I don't have any other information to suggest the policy was recommended to him. In those circumstances it was up to People's Bank to make sure that Mr M had all the information he needed in order to make a proper choice about whether the policy was suitable and whether he should take it.

Having seen the application form I don't think that Mr M was given enough information about the exclusions and limitations on the policy at the point of sale. In particular I don't think that he was given any information about what he would have to do to make a claim as a self-employed person, which would have been important to him as he was self-employed both at

the point of sale (as evidenced by the application form) and thereafter. People's Bank confirm in their response to the adjudicator's view that the full policy document would not have been sent to Mr M until after the application had been processed and accepted. And they haven't been able to show us that *any* information about the limitations of the policy was given to Mr M when he made the decision to take it.

I have looked closely at the policy documentation which would have been in force at the point of sale. People's Bank have provided us with a policy document from Citibank, dated 14 July 2000 and say that this is the relevant policy document. However, given Mr M applied for a credit card from People's Bank of Connecticut, I think that the relevant policy document for this sale is the People's Bank, '*credit card balance, payment and purchase protection*' document dated 1 January 2000. I have included a copy of the document with this decision for further reference. In any event the relevant policy terms relating to self-employment are identical in both documents. They define involuntary unemployment as follows;

*unemployment as a result of:*

...

*iii) the declared bankruptcy or insolvency or the liquidation of your own business*

The policy also requires a self-employed person to produce a certificate from an accountant to prove that they have stopped trading.

I think that these requirements would make it more difficult for a self-employed person to make a claim under the policy than an employed person. And this should have been brought to Mr M's attention at the point of sale.

I think that if Mr M had been given this information at the point of sale that he wouldn't have decided that the policy was suitable for him as it wouldn't have represented good value for money. This is particularly the case as Mr M had good existing cover in place in the event that he was unable to work through accident or sickness.

I therefore uphold the complaint.

### **fair compensation**

People's Bank should put Mr M in the financial position he'd be in now if he hadn't taken out PPI.

- A. People's Bank should find out how much Mr M 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.

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

If Mr M made a successful claim under the PPI policy, People's Bank can take off what he got for the claim from the amount it owes him.

- B. People's Bank should add simple interest on the difference between what Mr M 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.<sup>†</sup>
- C. If – when People's Bank works out what Mr M would have owed each month without PPI – Mr M paid more than enough to clear his balance, People's Bank should also pay simple interest on the extra Mr M paid. And it should carry on paying interest until the point when Mr M would've owed People's Bank something on his credit card. The interest rate should be 8% a year.<sup>†</sup>
- D. People's Bank should tell Mr M what it's done to work out A, B and C.

<sup>†</sup> HM Revenue & Customs requires People's Bank to take off tax from this interest. People's Bank must give Mr M a certificate showing how much tax it's taken off if he asks for one.

### **my final decision**

My decision is to uphold the complaint for the reasons I've given above and to order NewDay Ltd to pay the compensation I have described.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 26 May 2015.

Sarah Partridge-Smith  
**ombudsman**