

complaint

Mr A's complaint concerns a monthly, regular premium, payment protection insurance policy ("PPI") added to a credit card agreement in February 2001. He complains that he was unaware the PPI was optional and that MBNA Limited ("MBNA") did not disclose sufficient information to him so that he could make an informed choice.

background

Mr A's complaint was not upheld by the adjudicator. This was upon the basis that Mr A had actively selected the PPI policy and that the PPI was of benefit to him given his specific circumstances at the point of sale. Mr A has asked for an ombudsman to review his complaint.

my findings

I have considered all of the available evidence and arguments in order to decide what is fair and reasonable in the circumstances. I have also taken into account the law and good industry practice at the time the policy was sold.

The questions I need to consider in a case like this are:

- whether MBNA gave Mr A information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying;
- whether, in giving any advice or recommendation, MBNA took adequate steps to ensure that the product it recommended was suitable for his needs.

If there were shortcomings in the way in which MBNA sold the policy, I will consider whether Mr A is worse off as a result; that is, would he have done something different – eg not taken out the policy – if there had been no shortcomings.

I have decided not to uphold Mr A's complaint. I explain why below.

basis of sale

Mr A in response to the adjudicator's assessment suggests this was an advised sale. Also in his complaint, reference has been made to a telephone call being made to MBNA. On the other hand MBNA has stated that this was a postal application for a credit card and that they have no records of a telephone call. I am satisfied this was a non-advised sale. The application form has been completed by Mr A and its intent is quite clear in providing information only. Without any further evidence I cannot safely say this was an advised sale. On this basis I need to go on to consider whether sufficient information was provided to Mr A, so that he could make an informed choice about this product.

was Mr A given a choice to select the PPI?

Mr A complains that the PPI was not sold to him as optional. In summary he says that it was sold to him as part of a sports promotion and that he had felt obligated to tick the box in selecting the PPI so as to receive the credit card. I have reviewed the original application form and in bold text there is a separate section entitled "Payment Protection Cover – Safeguard Your Payments" in a prominent position on the form. The statement also explains "*If you'd like to take advantage of this valuable, low cost peace of mind, just tick the yes box*". The form then allows the box to be ticked "Yes" or "No". A rough idea of the cost and nature of the cover is also explained at this section of the form. I am persuaded that the optional nature of the PPI was made clear to Mr A and that he actively selected it by ticking the box himself, knowing there to be a cost.

did MBNA provide clear information to Mr A?

The application form says nothing about the level of benefit, or the terms and conditions restricting when the benefit might be paid. These are important features of the policy. MBNA say a leaflet explaining the features of the policy would have been provided to Mr A alongside the application form. I have noted however that there is nothing on the application form to direct Mr A to this leaflet and upon reviewing the leaflet Mr A would have to read 19 sections of terms and conditions before reaching the relevant PPI provisions. Furthermore, I cannot safely say that this information was received and read by Mr A. I am satisfied therefore that there were information failings in this case.

However, before I can uphold this complaint I need to be satisfied that these failings have caused Mr A detriment; that is to say if these failings did not exist would Mr A decide against taking this policy.

It does not appear from Mr A's circumstances that he would have been caught by any of the special conditions which limited the policy's cover for some people (for example, the self-employed or those with pre-existing medical conditions). It appears Mr A could have benefited from the full extent of the cover, so I think it unlikely he needed better information about its exclusions and limitations. Essentially, the policy did provide him with the protection broadly described on the application form and for which he had indicated he was willing to pay.

I accept that Mr A might not have understood what the description of the cost ("*68 pence per £100 of your statement balance*") might have meant for him in real terms. The policy was reasonably priced and competitive in the market and it does appear to have been affordable for someone in his circumstances. So (keeping in mind that I am satisfied Mr A wanted cover and was prepared to pay *something* for it) I find it unlikely that a better explanation of the cost would have put him off taking out the policy.

What is not so clear is whether Mr A would have done something different if he was aware that the PPI offered a very low benefit. At 3% of the outstanding balance, the benefit appears to not even cover the minimum credit card repayment. This is because the cost of the policy continued to be added to the credit card balance during a successful claim (reducing the effective benefit to below 3%). I think many people would consider an insurance policy such as this, which leaves them following a successful claim with more debt than when they started, to be poor value for money.

Mr A explains that he had no other protection in place and that he was only entitled to statutory sick pay. He also draws attention to the fact that if he was unable to work his parents would “*probably*” help. The specific circumstances of Mr A suggest to me that on balance this policy was sufficient for his needs at the time of taking out the PPI. In particular in actively selecting the PPI and being prepared to pay something for the cover leads me to conclude that Mr A wanted some form of protection. With no other means of meeting his monthly repayments through his occupation and in considering that parental support was only a *probable* source of repayment, I am persuaded that Mr A would have purchased the PPI. I say this because if Mr A was unable to work due to accident, sickness or unemployment he would have struggled to meet his minimum monthly repayments. In forming this view I have considered that Mr A at the time of taking out this PPI policy had another credit card with one provider with a small balance of approximately £300, as well as a bank loan of approximately £6800. And with no safety-net of savings, occupational sick pay or a guaranteed source of income I am of the view that he would have still purchased the PPI, even if the benefit of the policy was made clearer to him. Essentially the PPI provided Mr A some “breathing space” at the time.

Taking all this into account, I cannot safely conclude that Mr A would have acted differently (and decided against taking out the insurance) if the policy had been better explained to him at the outset.

It follows that I am not persuaded this policy was mis-sold.

my final decision

I do not uphold Mr A’s complaint.

I make no direction against MBNA Limited.

Daniel Lucas
ombudsman