

## **complaint**

Mr D has complained about a single premium payment protection insurance (PPI) policy sold to him by Northern Bank Limited (Northern Bank).

## **background**

In 2005, Mr D took out a £15,000 loan over 5 years with Northern Bank. At the same time, Northern Bank sold him a PPI policy. The cost of the policy (£3,011) was added to the loan and would also attract interest.

Our adjudicator said Mr D's complaint should be upheld. They said that if Mr D cancelled the policy early he would be financially worse off. And they thought it was likely Mr D might do this because he was taking out the loan to consolidate existing debts. They said it was therefore more likely he'd look to refinance his debts again in the future.

Northern Bank disagreed with the adjudicator's opinion. It said Mr D had no history of early repayment with Northern Bank. And it noted that Mr D was using a fixed rate loan to refinance variable debt (his credit cards). Northern Bank also said Mr D had no other means to meet his repayments and that his wife didn't help him financially when he found himself unable to make repayments. It said that Mr D was aware of PPI as he'd previously declined it on his credit card.

## **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 D's case.

I've decided to uphold Mr D's complaint for the reasons below.

Northern Bank advised Mr D to take out PPI. This meant it had to find out about Mr D's circumstances to make a suitable recommendation for him. It also had to give him enough clear information about the policy so he could decide if he wanted to take it out.

The policy terms explain that if the policy was cancelled before the end of the term Mr D wouldn't necessarily have got back as much of his premium as he might have expected. For example, if Mr D had cancelled his policy half way through the term, he would not have received half of his premium back in return. Instead, he would have received less than this.

I can see that the sole reason Mr D was taking out his loan was to repay existing debts. So I think having the flexibility to reorganise his finances again in the future would have been important to him. However, I can't see that Northern Bank took this into account when making its recommendation or that it properly brought this important term to Mr D's attention.

Northern Bank said because the loan was a fixed rate loan and Mr D was consolidating his variable rate credit card debt this meant he wouldn't be refinancing this same debt again. But I've not seen any record from the time to support that this was Mr D's intention. And while I've considered what Northern Bank has said about Mr D having no history of early repayment with Northern Bank, there's nothing to show me he hadn't previously

consolidated debt elsewhere. But in any event, given he was reorganising his financial commitments I think it's more likely he might look to do this again in the future.

I've also noted the other points that Northern Bank has made, but these aren't enough to make me change my decision. The reason above is enough to make me think this policy wasn't right for Mr D. And, given his circumstances at the time I think that if he'd been properly informed about the cancellation terms he wouldn't have taken out this cover.

### **putting things right**

Mr D borrowed extra to pay for the PPI, so his loan was bigger than it should've been and he paid more than he should've each month. So Mr D needs to get back the extra he's paid.

So, Northern Bank should:

- Work out and pay Mr D the difference between what he paid each month on the loan and what he would've paid each month without PPI.
- Add simple interest to the extra amount Mr D paid each month from when he paid it until he gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on†.
- If Mr D made a successful claim under the PPI policy, Northern Bank can take off what he got for the claim from the amount it owes him.

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

### **my final decision**

For the reasons above, my final decision is that Mr D's complaint is upheld. And Northern Bank Limited must pay Mr D fair compensation as I've set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr D to accept or reject my decision before 4 January 2016.

Kristina Mathews  
**ombudsman**