

complaint

This complaint is about the sales of four payment protection insurance (“PPI”) policies, sold in connection with loans. It concerns a single premium PPI policy taken out in 2002 and three regular premium PPI policies taken out in 2004, 2007 and 2008.

Ms A says that Scotwest Credit Union Limited (“Scotwest”) mis-sold the policies.

background

The background to this complaint can be found in my provisional decision issued in March 2014. A copy of that provisional decision is attached and forms part of this final decision.

In my provisional decision I explained why I was not minded to uphold Ms A’s complaint and invited both parties to let me have any further representations.

Both parties have confirmed they have received the provisional decision I issued but neither party has submitted any additional information or evidence.

my findings

I have carefully considered all the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances of this complaint.

As neither party has raised any further substantive points or evidence, I see no reason to depart from the conclusions that were given in my provisional decision.

I remain of the view that Ms A was aware of the optional nature of the four policies. And whilst I cannot be sure that Ms A’s information needs were met, I am not persuaded that even if clearer information had been provided to her she would have decided against taking the PPI policies out.

It follows that I do not uphold Ms A’s complaint.

my final decision

For the reasons set out above, I do not uphold this complaint and make no award against Scotwest Credit Union Limited.

Stefan Riedel
ombudsman

copy of provisional decision

complaint

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background

When Ms A took out her loans, she was sent loan application forms and separate information about PPI at the same time. The policies provided a monthly benefit equivalent to the monthly loan repayments in the event of a successful claim. They would cover Ms A over the term of each loan agreement if she was unable to work as a result of accident, sickness or unemployment.

The adjudicator has upheld Ms A’s complaint about the single premium policy but not the complaints about the three regular premium PPI policies, concluding that Scotwest had not mis-sold them.

Scotwest, Ms A and her representatives disagree with this assessment and so the complaint has now been referred to me to consider.

my provisional findings

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

In doing so, I have taken into account the relevant regulatory rules and guidance (where appropriate), as well as the law and good industry practice at the time the policies were sold.

I think the relevant considerations in this case are the same as those set out in our well-established approach to complaints about the sale of PPI, which is published on our website.

The key questions I need to consider therefore are:

- whether Scotwest gave Ms A information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the insurance she was buying?
- whether, in giving any advice or recommendation, Scotwest took adequate steps to ensure that the product it recommended was suitable for Ms A’s needs?

If Scotwest did something wrong when selling the policy, I then need to consider whether Ms A would have acted differently if it had not done so.

After careful consideration, I’ve provisionally decided not to uphold Ms A’s complaint – in respect of all four policies. I’ve set out my reasons below.

In this case, I first need to consider whether Scotwest presented the PPI policies as optional and whether Ms A agreed to take them out on that basis.

did Scotwest make Ms A aware she had a choice over taking out the policies?

Ms A complains she was not given the option to shop around for PPI to cover her loan on the open market. She says she understood that taking out PPI with Scotwest would most likely mean her applications would be approved and if she didn’t they would be turned down.

Ms A also says that the loan agreement sent to her in 2002 arrived with the PPI pre-selected and so firstly I have considered this matter before moving on to look at the later sales.

I note that the loan agreement required Ms A to tick a box if she did *not* want to take out the cover (and so required Ms A to actively select not to start the policy). Although I have some concerns consumers may have missed the requirement to “deselect” PPI and therefore could have found it automatically added to their account, in my view, in Ms A’s case I am persuaded she was aware of the choice. I say this because Scotwest has also provided a copy of Ms A’s loan agreement from 2000 that is identical in design. On that occasion, however, I note that Ms A chose to tick the box because she did not want to take out the PPI policy.

I must also consider the possibility that because the relevant box was not ticked, Ms A *chose* not to tick the box because she wanted to take out the PPI policy. It is this possibility that I find most likely, as had Ms A not agreed to take out the cover I find it likely that she would have questioned the existence of the policy sooner.

The loan agreements sent to her in 2004, 2007 and 2008 were different in design. Ms A had to actively select the option to say that she would like to apply for PPI, and it was added to her account when she did this.

So, when weighing what Ms A says against the documentary evidence provided, I find it more likely than not that Ms A was given the choice to take PPI. I also find Ms A could have chosen not to take PPI through Scotwest if she preferred to shop around on the open market. And for completeness, I do not consider Scotwest was obliged to point out to Ms A that she could look elsewhere for alternative PPI cover.

In light of all of the above, I am not persuaded I can uphold Ms A’s complaint on the basis she was not given a choice over taking out the policies.

In this case, Scotwest has said that the sales took place without it making a recommendation. Ms A is unable to recall Scotwest providing advice and as she applied for the loans and PPI policies through the post, it does not seem likely advice was provided to her. So I’ve gone on to consider if Ms A was given sufficient information in order to be able to make a proper choice about whether to take out the policies.

did Scotwest meet Ms A’s information needs?

It appears most likely Ms A was eligible for all four policies when she took them out. I can see that the policies did contain significant exclusions and limitations, for example relating to existing medical conditions, which should have been brought to her attention. I am not clear what information was provided to Ms A about these or whether it was provided to her before or after she had agreed to the PPI. However the loan agreements from, 2004, 2007 and 2008 do mention a leaflet about the *Repayment Protect Insurance* sent alongside the agreements but I do not know what these said.

Although the four sales span some six years since 2002, I can see that Ms A has told us she did not suffer any health problems in that time and she remained in the same role with the same employer. So her circumstances do not suggest to me she would have expected to be caught by any of the main exclusions that might limit the usefulness of this type of policy (in the event she needed to make a claim). For example, she was not self-employed or suffering any pre-existing medical conditions. So I do not believe any failing here would have put her off taking out each of the policies.

Ms A says that she had good work benefits that would have covered her in the event that she couldn’t work due to accident or sickness. However, I do not think that this argument by itself made the policies unsuitable. The policies could have paid out for a substantially longer period than she would have received full pay if she couldn’t work due to accident or sickness. And after six months, when

she would be reduced to half pay, the PPI policies would provide a useful supplement to that provision.

Ms A has told us she had some savings that could have covered the loan payments for some time. However even if this was the case, I am not persuaded the PPI would duplicate her other means. I understand from Scotwest the policies would pay out in addition to Ms A's existing provisions and for a sustained period up to a maximum of 24 months at a time in the event of not being able to work due to accident or sickness, and 12 months at a time in the event of losing her job.

The monthly premium for the policies sold in 2004, 2007 and 2008 were set out on the credit agreements signed by Ms A so I am satisfied she would have been made aware of each policy's cost. The premiums appear to be competitive with similar policies that were on the market at each time and I have not seen any evidence that they were unaffordable to Ms A. I can understand that with hindsight Ms A may regard the policies as having been unnecessary or expensive, perhaps because she did not have cause to make a claim.

However, Ms A might well have been attracted at the time to the security the policies provided, given the potential consequences of default on the loans. I say this because the purpose of the PPI was intended to remove the additional pressure of maintaining her loan payments, at what would likely be a difficult time financially.

As I mentioned in the above, the PPI policy taken out in 2002 was paid for via a single premium added to the loan. This sort of premium arrangement can become very expensive where a policy does not offer a pro-rata refund if cancelled within the term. Ms A cancelled her policy when she repaid her loan at 25 months into the 60 months term, in other words about 42% of the way through. The refund she received was about 56% of the upfront cost. So in this case, this does not seem to be a problem where Ms A received a refund just short of the full pro rata amount.

summary

I am satisfied Ms A was aware of the optional nature of the four policies. And while there may have been some failings in meeting her information needs I am not persuaded Ms A would have decided against taking the policies out if she had understood more about them.

my provisional decision

My provisional decision is that I am not currently minded to uphold Ms A's complaint or make an award against Scotwest Credit Union Limited.

Stefan Riedel
ombudsman