

complaint

Mrs A complains Creation Financial Services Limited mis-sold her a payment protection insurance (PPI) policy.

background

In 2006 Mrs A called Creation to activate a re-issued store card. During the call Creation sold her a monthly premium PPI policy.

Although Creation has told us the policy cost £1.85 for each £100 Mrs A owed on her store card, listening to the call recording I've got I think the cost was £1.50 for each £100 she owed. The policy gave Mrs A life, accident, sickness and unemployment cover. It also gave her price and purchase protection cover.

Our adjudicator upheld Mrs A's complaint. She didn't think Creation had made the cost and benefits of the policy clear enough to Mrs A. She also didn't think Mrs A would've bought the policy if it had.

Creation disagrees and so Mrs A's complaint has come to me to decide.

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 Mrs A's complaint.

I've decided to uphold Mrs A's complaint. I don't think Creation made the cost and benefits of the policy clear enough to her.

Listening to the call recording, I don't think Creation advised Mrs A to buy the PPI. So it didn't have to make sure the policy was right for her. But it did need to give Mrs A enough clear information about the policy so she could make an informed decision about whether she wanted to buy it.

During the call, Creation tells Mrs A the policy will cost her only one and a half pence per pound of the balance on her statement each month. But Creation doesn't say the PPI premiums will attract interest if Mrs A doesn't clear her balance each month, so the actual amount she'd pay could be more than this. So I don't think Creation gave Mrs A clear enough information for her to really understand what the PPI could cost her.

Creation goes on to tell Mrs A the PPI will cover her minimum monthly repayments on the card. But Creation doesn't say what Mrs A's minimum monthly repayment is as a percentage. Nor does Creation explain that, if Mrs A claimed on the policy, she'd have to keep paying the PPI premiums, meaning the benefit she'd get would be lower in real terms. So I don't think Creation gave Mrs A clear enough information for her to really understand what the benefits of the PPI were.

Creation says Mrs A would've known the cost of the policy from her monthly statements. It also says she was sent policy documents which made the cost and benefits clear. But this

sort of information would've been sent to Mrs A *after* bought the PPI. Creation should've told her about it *before* she bought it.

I've also looked at the other benefits the policy gave. But I've not seen anything in Mrs A's circumstances to make me think her need for purchase and price protection would've made her want to buy the insurance.

I've looked at Mrs A's circumstances. And I've also thought about what we know minimum monthly card repayments typically are. Having done this, I don't think Mrs A would've thought the policy was good value for her. If Creation has made the cost and benefits clear to Mrs A, I don't think she'd have bought it. I think Mrs A has lost out because of what Creation has done wrong and so it should put things right.

putting things right

Creation should put Mrs A in the financial position she'd be in now if she hadn't taken out PPI. The policy should be cancelled if it hasn't been cancelled already and:

- A. Creation should find out how much Mrs A would owe on her store card if the policy hadn't been added to it.

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.

Creation should then refund the difference between what Mrs A owes and what she would've owed.

If Mrs A made a successful claim under the PPI policy, Creation can take off what she got for the claim from the amount it owes her.

- B. If – when Creation works out what Mrs A would have owed each month without PPI – Mrs A paid more than enough to clear her balance, Creation should also pay simple interest on the extra Mrs A paid. And it should carry on paying interest until the point when Mrs A would've owed Creation something on her store card. The interest rate should be 8% a year.[†]
- C. Creation should tell Mrs A what it's done to work out A and B.

[†] HM Revenue & Customs requires Creation to take off tax from this interest. Creation must give Mrs A a certificate showing how much tax it's taken off if she asks for one.

my final decision

I uphold Mrs A's complaint and direct Creation Financial Services Limited to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 6 June 2016.

Jane Gallacher
ombudsman