

summary of complaint

This complaint concerns a monthly premium payment protection insurance (“PPI”) policy, sold as part of an internet credit card application in 2004. Mr F says that MBNA Limited (“MBNA”) mis-sold the policy.

background

I issued my provisional decision in June 2013. I said I had carefully considered all of the available evidence and arguments from the outset, in order to decide what was fair and reasonable in the circumstances. I also took into account the law and good industry practice at the time the policy was sold.

Having done so, I was not minded to uphold Mr F’s complaint. In particular, I concluded that:

- MBNA failed to highlight the level of benefit or the terms and conditions restricting when the benefit might be paid to Mr F. But this did not mean I upheld the complaint I also had to consider whether this would have mattered to Mr F.
- From looking at Mr F’s circumstances I found that he would not 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). So I thought it unlikely he needed better information about the policy exclusions and limitations.
- I accepted that Mr F might not have understood what the description of the cost (68 pence per £100 of the statement balance) might have meant for him in real terms. But the policy was competitive in the market and it did appear to have been affordable for someone in his circumstances. So (and I was satisfied Mr F wanted cover and was prepared to pay *something* for it), I found it unlikely that a better explanation of the cost would have put him off taking out the policy.
- What I considered to be far less certain was whether Mr F would still have been willing to pay for the policy if it had been pointed out that the benefit (3% of the outstanding balance for accident and sickness or unemployment claims) would barely cover the minimum repayment each month. For many people, the credit card’s minimum repayment would be a small liability when considered against their overall financial position. Those in a stable financial position might be able to meet such a small liability, for a time, even without their main income – so they might think this policy offered little value for its cost.
- It seemed to me that Mr F’s financial position was such that if he had stopped working he would have struggled almost immediately to meet even his minimum credit card repayments. He was only entitled to statutory sick pay should he be unable to work due to accident or sickness and he had no savings. The credit card application form confirms Mr F had outstanding financial liabilities. And he had no other obvious means of meeting his repayments if not working. Put simply, from what I could tell of Mr F’s circumstances at the time, he had little ‘breathing space’ at all to cope if he had been unable to work. In light of his precarious situation – and given that the cost of the policy was relatively low (compared to others in the market) – I could not safely conclude Mr F would have decided against the policy if the 3% benefit had been made clearer. Essentially, I found it plausible the policy provided

Mr F with a safety net, even at this low level of benefit, which in his circumstances he might have considered useful.

I invited both parties to let me have comments on what I had said before I reached a final decision. Neither party has provided any further submissions for me to consider.

my findings

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

In the absence of any further submissions from either party and having considered all the evidence carefully, I am satisfied that even if there were deficiencies in the information provided to Mr F, I am not persuaded this would have affected his decision to go ahead with the policy. It seems to me in the circumstances that he had some interest in protecting his repayments and chose to go ahead with the policy.

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

my final decision

My final decision is that I do not uphold Mr F's complaint and make no award against MBNA Limited.

Daniel Little
ombudsman