

complaint

Mr K complains that NewDay Ltd ("NewDay") mis-sold him a payment protection insurance ("PPI") policy alongside a credit card in 2000.

The policy was added to Mr K's credit card account when the application for the card was filled in.

background

Our adjudicator thought that the complaint should be upheld. NewDay did not agree with this and asked for an ombudsman to look at the case.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. We have set out our general approach to complaints about the sale of all types of payment protection insurance on our website and I have taken this into account in deciding Mr K's case.

After carefully considering this complaint I have decided to uphold Mr K's complaint. I will explain my reasons below.

Having looked at the paperwork provided to me, I do not think that NewDay recommended the policy to Mr K. But it still had to make sure that it gave him all the information that he needed to allow him to make an informed decision about whether or not to buy the policy.

Looking at the application form, I also think that Mr K knew that he had a choice about buying the policy and could have decided to take the credit card without the cover.

But from what I have seen, I do not think that the information that NewDay gave Mr K about the cost and benefits of the policy was as clear as it should have been.

I can see on the credit card application form it explained that the cost was 72p per £100 of outstanding card balance. While it seems likely that Mr K read this information, I think it would not have made it easy for him to work out the real cost of the policy. That is because the calculation would have to be based on possible future spending.

At 72p per £100 of card balance, I think this policy would have made an impact on Mr K's finances if he did not pay off his card in full each month. I think that NewDay could have given some examples to make the actual costs of the cover clearer.

I also do not think that Mr K would have understood from the information provided that he would have to keep paying the PPI premiums during a successful claim. This would have continued to increase his card balance when he had no income and so would have reduced the real value that the policy offered him. I think that should have been set out clearly for Mr K at the time of the sale.

I think the lack of information that I have described would have mattered to Mr K because he does not seem to have had a great need for the policy. I can see that he has told us that he had good employer benefits to call on and also had savings worth more than 12 months of

his pay. So I do not think that he would still have wanted to take out the policy if he had better understood its cost and how limited the benefit would be to him.

Having looked at this with care, I think Mr K lost out as a result of the limited information that NewDay gave him at the time of the sale. I think he would have decided not to buy the policy if he had been able to understand its cost and benefit properly.

So I uphold this complaint.

putting things right

My understanding is that the credit card is still running but the PPI policy has been cancelled. NewDay should put Mr K in the financial position he would be in now if he had not taken out the PPI.

- A. NewDay should find out how much Mr K would owe on his credit card if the policy had not 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.

NewDay should then refund the difference between what Mr K owes and what he would have owed.

If Mr K made a successful claim under the PPI policy, NewDay can take what he got for the claim from the amount it owes him.

- B. If, when NewDay works out what Mr K would have owed each month without PPI, Mr K paid more than enough to clear his balance, NewDay should also pay simple interest on the extra Mr K paid. It should carry on paying interest until the point when Mr K would have owed NewDay something on his credit card. The interest rate should be 8% a year.[†]

- C. NewDay should tell Mr K how it has worked out A and B.

[†] HM Revenue & Customs requires NewDay to take tax from this interest. NewDay must give Mr K a certificate showing how much tax it has taken if he asks for one.

my final decision

For the reasons set out above, I uphold Mr K's complaint. NewDay Ltd should pay Mr K compensation as set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr K to accept or reject my decision before 27 April 2015.

Roxy Boyce
ombudsman

