

complaint

Miss W complains that Creation Financial Services Limited (Creation) mis-sold her a Payment Protection Insurance (PPI) policy.

background

In 2006, Miss W called Creation to activate a store card. During the telephone call Creation sold her a PPI policy called '*Creation 3D.*'

The policy cost £1.50 for each £100 Miss W owed on her store card and it gave her life, accident, sickness and unemployment cover. It also offered her price and purchase protection.

Our adjudicator upheld Miss W's complaint because he didn't think Creation had made the cost and benefits of the policy clear enough to Miss W. And if it had done, he didn't think she would've taken it out. Creation disagreed. It said it explained the cost of the policy well enough to Miss W and pointed out that Miss W would've been aware how much she was paying for the policy from looking at her monthly statements.

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 Miss W's case.

I've decided to uphold Miss W's complaint because I don't think Creation made the cost and benefit of the policy clear enough. And based on Miss W's circumstances, I don't think she would've bought the policy if it had.

From looking at the available evidence, I don't think Creation advised Miss W to take out the insurance. This means Creation didn't have to make sure the policy was right for her. But it did need to give Miss W enough clear information about the policy so that she could make an informed decision about whether she wanted to take it out.

Creation has given us a recording of its sales call with Miss W. During the call, the sales adviser simply tells Miss W that the policy will cost her just "*one and half pence in the pound of your outstanding monthly balance.*" But Creation didn't make clear that the premiums could attract interest as a result – making the policy more expensive than it seemed. And although the advisor explained the monthly benefit as '*your minimum monthly repayments on your card*', Creation didn't explain that Miss W would've had to keep paying the premium if she made a claim – which also meant the benefit was lower in real terms. So I don't think Miss W would've known how much she'd really be paying for the policy each month. And I don't think she would've properly understood the benefit.

Creation has argued that Miss W would have been aware of the cost of the policy because it sent her monthly statements. But even if I accept that Miss W received and read her statements every month, these were sent to her *after* she'd decided to take out the policy. This means Miss W wasn't able to weigh up what she was getting for her money or whether the policy was worthwhile before she bought it.

I've also considered the additional benefits the policy provided. But I've not seen anything in Miss W's circumstances to make me think that her need for purchase and price protection was such that this would have motivated her to take out this policy.

When I weigh up Miss W's workplace benefits and other means she had available to her against the limited benefit the policy would pay each month, I think clearer cost and benefit information would've put her off taking out the policy because Miss W is unlikely to have seen the policy as offering good value in her circumstances.

Overall, I don't think Creation gave Miss W enough clear information about the cost and benefits of the policy before she decided to buy it. And, given her circumstances at the time, I don't think she would've bought the policy if it had. So I uphold Miss W's complaint.

what Creation should do to put things right

Creation should put Miss W in the financial position she'd be in now if she hadn't taken out PPI.

- A. Creation should find out how much Miss W would have owed when she closed her store card account if the policy hadn't been added.

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 Miss W owed when she closed her account and what she would have owed if she hadn't had PPI.

If Miss W 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. Creation should add simple interest on the difference between what Miss W would have owed when she closed her account from when she closed it until she gets the refund. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]
- C. If – when Creation works out what Miss W would have owed each month without PPI – Miss W paid more than enough to clear her balance, Creation should also pay simple interest on the extra Miss W paid. And it should carry on paying interest until the point when Miss W would've owed Creation something on her store card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]
- D. Creation should tell Miss W what it's done to work out A, B and C.

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

my final decision

For the reasons I've explained, I've decided to uphold Miss W's complaint and direct Creation Financial Services Limited to pay Miss W compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 2 March 2016.

Sharon Kerrison
ombudsman