

complaint

Mr H says Pinnacle Financial Contracts Ltd ('Pinnacle') mis-sold him payment protection insurance ('PPI').

background

In 2008 Mr H arranged a hire purchase agreement for £9,000 over a term of 60 months to buy a car. At the same time Pinnacle sold Mr H a regular (monthly) premium PPI policy which cost £35 each month. The policy provided accident, sickness, unemployment and life cover to protect the loan.

Our adjudicator said Mr H's complaint should be upheld. They said that because Mr H was 64 years old when he took out the PPI, the policy would only have provided Mr H with cover for a short time – so, they said it wasn't worthwhile for Mr H to take it out.

Pinnacle disagreed with the adjudicator's opinion. It said the insurer would've cancelled the policy when Mr H reached the age of 65. And it said that until that time Mr H would've been able to benefit from the policy if he needed.

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 Mr H's case.

For the reasons below I've decided to uphold Mr H's complaint.

Looking at all the available evidence and submissions I think Pinnacle advised Mr H to take out the PPI. Mr H says he was advised to have the cover and I can see that a demands and needs document was completed by Pinnacle. This document included a section headed 'Recommendation' and said, *'Based on your responses to the above and subsequent explanation of the key benefits and exclusions we...Recommend PPP insurance'*.

Because Pinnacle advised Mr H to have PPI it needed to find out about Mr H's circumstances so that it could make a suitable recommendation for him. It also had to provide him with enough clear information about the PPI so he could decide if he wanted to take it out.

I've reviewed the demands and needs document and I can't see that Pinnacle considered how Mr H's age could affect the usefulness of the policy for his circumstances at the time. Or that it highlighted this to Mr H.

The policy was cancelled approximately three months after it started – during the same month that Mr H was due to turn 65 years old. Pinnacle provided a copy of a letter dated 8 October 2008 which it says was sent from the insurer to Mr H confirming the PPI had been cancelled at Mr H's request. And as Mr H had not yet turned 65 at the date of cancellation, I think it's reasonable to say Mr H did request the policy be cancelled.

The actual policy document has not been made available to me, but given what Pinnacle has told us – that is, the PPI would be cancelled by the insurer when Mr H reached 65, I think it's fair to say Mr H would no longer be able to claim under the policy after he turned 65 years old.

Mr H was only three months away from becoming 65 when he arranged the policy. It therefore seems to me there was little likelihood that he would benefit from the policy over those three months. He had been working for his employer for around 10 years at that time and was in good health. So, given the limitation in how much benefit the policy could potentially provide him with (which I think was likely to have been even further reduced by any likely deferral period before claiming), I don't think the policy was suitable for Mr H at the time he took it out.

As I've already said, I can't see that Pinnacle took this into account when it made its recommendation. And I think if Mr H had known about this limitation under the PPI, then I don't think he would've thought it worthwhile taking out the policy for three months given his circumstances at the time.

So, it follows that I think Mr H's complaint should succeed. I can't say that Pinnacle did everything it needed to when it sold the policy to Mr H. And had Mr H been properly advised and informed, I don't think he would've taken out the PPI.

putting things right

Pinnacle should put Mr H in the position he'd be in now if he hadn't taken out PPI. As Mr H's complaint has already been cancelled, Pinnacle should:

- Pay Mr H the amount he paid each month for the PPI
- Add simple interest to each payment from when he paid it until he gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on†.
- If Mr H made a successful claim under the PPI policy, Pinnacle can take off what he got for the claim from the amount it owes him.

† HM Revenue & Customs requires Pinnacle to take off tax from this interest. Pinnacle must give Mr H a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons above, my final decision is that Mr H's complaint should be upheld and Pinnacle Financial Contracts Ltd must pay Mr H fair compensation as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 11 April 2016.

Kristina Mathews
ombudsman