

complaint

This complaint concerns a regular premium payment protection insurance (“PPI”) policy sold in conjunction with a credit card in December 2005. Mr A says that The Royal Bank of Scotland Plc (“RBS”) mis-sold the policy.

background

Our adjudicator initially concluded that the policy was mis-sold due to RBS not making the optional nature of the policy clear to Mr A. However, RBS submitted further testimony about this and the complaint was reassessed in light of a credit agreement that Mr A completed. The adjudicator then changed her assessment and recommended that Mr A’s complaint not be upheld. Mr A does not agree with this view and so the matter has been referred to me for a final decision.

my findings

I have carefully considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. In doing so I have taken into account any relevant regulatory rules, the law and good industry practice at the time the policy was sold.

The relevant considerations in this case are materially the same as those set out in our well established general approach to complaints about the mis-sale of PPI, which is published on our website.

Mr A says he can’t remember whether RBS advised him to take out the policy or not. RBS says it did not and I haven’t seen any evidence to suggest otherwise, like a personal recommendation tailored to Mr A’s individual needs.

So I don’t need to consider whether the policy was suitable. The key issue that I need to consider therefore is:

- Whether RBS gave Mr A information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance that he was buying.

If RBS did something wrong when selling the policy, I will then consider whether Mr A would have acted differently if it had not done so.

Having carefully considered all of the arguments put forward by the parties and all of the evidence available, I’ve decided not to uphold this complaint.

was the policy presented as optional to Mr A and did he consent to its addition?

Mr A has complained that PPI was automatically included with the card, without his consent.

In order to assess this issue I have looked at the credit agreement. RBS say that this was an internet sale – Mr A says he can’t remember but it seems to me that it probably was an internet sale with a credit agreement being provided to Mr A following his application online. I say this because at the top of the agreement it says “thank you for using our website to submit your application”.

On page three of this agreement, there is a box offering 'Card Payment Protection Insurance' and 'Card Registration Insurance' with tick boxes next to these. I can see that there is a tick in the box for PPI and that Mr A has signed just beneath this.

So I think in light of this evidence, it would have been clear to Mr A that PPI was an optional product. I certainly can't see any evidence that PPI was added without his knowledge – I think it more likely that he ticked and signed for PPI and has since forgotten this.

were Mr A's information needs met?

As I don't consider this to have been an advised sale, it was not RBS' responsibility to ensure that the policy was suitable for Mr A – rather this was Mr A's responsibility. RBS did, however, need to ensure that it provided information that was clear, fair and not misleading so that Mr A could make an informed choice about whether to buy the policy or not.

Mr A says that RBS did not do this. He says that PPI and the terms and conditions of the policy were never explained to him. In particular, he says that he wasn't made aware that the policy would attract interest.

Having looked at the documentation that RBS says was provided to Mr A, I am inclined to agree. The credit agreement makes some reference to the cost of the policy but I don't think that this sufficiently met his information needs. In particular, although the cost of the policy is set out as 79p per £100 of outstanding balance, I don't think it would have been clear to Mr A that he would have to keep on paying the premiums during any successful claim or that these premiums attracted interest. This would have reduced the value of the policy and I think this would have made it difficult for Mr A to work out the true cost of the policy based on his future expenditure.

So I consider that there were failings by RBS in the information that it provided Mr A with at the point of sale.

would Mr A have made a different choice?

Although I think there were probably failings by RBS, it doesn't necessarily follow that I will uphold Mr A's complaint as, having considered his circumstances at the time of sale, I don't believe that better information would have made any real difference to his decision to take out the policy. I say so for the following reasons:

- Mr A was eligible for the policy as he was in employment and good health at the time of sale. So I can't see that he would have been caught by any of the significant limitations or exclusions such as unusual employment terms or pre-existing medical conditions which might limit the value of the policy to him or restrict his ability to make a successful claim. I note that Mr A complains he wasn't told about the exclusions relating to pre-existing medical conditions. But as he has told this service he was in good health at the time of buying the policy, I don't think that any such limitations would have unduly mattered to him.
- The PPI provided cover in the event that Mr A was unable to work due to accident, sickness or unemployment. Mr A has told this service that he would have been entitled to six months full pay and six months half pay from his employer at that time in the event that he was unwell. But the policy provided cover for up to 12 months per claim and

would have paid significantly more than his minimum credit card repayment each month. This would have been an enhancement to any existing employer benefits and also covered redundancy. So although there may have been some duplication of cover at first, I think Mr A would have found the cover useful once his pay reduced. Furthermore, Mr A would inevitably have had other household expenses to meet in the event that he was off sick or lost his job. The PPI was intended to remove the additional pressure of maintaining his credit card repayments at what might otherwise be a difficult time financially.

- I understand that Mr A did not have any other means of making his repayments, such as savings at that time. So I think, given his circumstances, taking on a new financial commitment with no other existing benefits, he had some need for cover.
- I understand the policy premium was around 79p per £100 of the outstanding balance and provided a 10% benefit. I haven't seen any evidence to suggest that this was unaffordable or unacceptable to Mr A at that time. This was a relatively competitive price and benefit offered at the time for PPI and so I don't think that better information about these matters would have put him off buying the policy in his circumstances.
- The policy was flexible as it could be cancelled at any time with notice so I don't think further information about these cancellation terms would have affected his decision to take it out.
- I note what Mr A says about not being made aware he could purchase the PPI from elsewhere. But RBS was under no obligation to make suggestions of more competitively priced products to its own. Its responsibility was to provide information about *this* policy.

So although I do think that there were probably failings by RBS in the provision of information to Mr A, I don't currently think additional information would have put him off buying the policy. For the reasons given above, I think there was a need for cover. And so even if Mr A's information needs were not fully met, I think it more likely than not that he would still have taken the policy out.

It follows that I do not uphold this complaint.

my final decision

For the reasons set out above, my final decision is that I do not uphold Mr A's complaint against The Royal Bank of Scotland Plc.

Rebecca Wood
ombudsman