

complaint

Mrs A says Nationwide Building Society (Nationwide) mis-sold her a payment protection insurance (PPI) policy with a loan.

background

I issued my provisional decision in August 2015, a copy of which is attached and forms part of this final decision. In my provisional decision I explained why I wasn't intending to uphold Mrs A's complaint. I invited all parties to let me have any further information or comments before I reached a final decision.

Both Nationwide and Mrs A confirmed they received my decision. Nationwide had no further comments. Mrs A sent us a full response, which included the following points:

- Nationwide's sample application form wasn't credible evidence
- It wasn't clear to Mrs A the PPI was optional
- Mrs A says she didn't take PPI on Nationwide loans she took later on. So this shows she wouldn't have taken PPI on *this* loan if she'd known she had a choice
- Because I found Nationwide didn't give Mrs A enough proper information about PPI, Mrs A feels her complaint should be upheld
- Mrs A said her job was long-term and secure. Her work benefits included redundancy pay, accident and sickness payments, death at work pay and annual leave. And her husband was self-employed with his own income and could've covered the loan payments. So Mrs A says she didn't need PPI and wouldn't have agreed to take it if it had been properly explained to her
- The cost of the PPI caused Mrs A financial hardship

my findings

I've re-considered all the evidence and arguments already sent to us by the parties to decide what's fair and reasonable. And I've considered Mrs A's response to my provisional decision.

I previously explained why I didn't think it was unusual Mrs A hadn't given us much detail about the sale – because it happened so long ago. In her additional comments, Mrs A hasn't given us any detail about what Nationwide actually said to make her think the PPI wasn't optional. So I've continued to rely more on what the documents from the time show.

Nationwide don't have a copy of Mrs A's loan agreement. Mrs A doesn't think I should rely on the sample they sent us but hasn't said why it wasn't like the loan agreement she would've signed at the time. From my experience of other Nationwide sales, I think the sample *is* like the loan agreements they used at the time. And that's why I've relied on it (and other things) to reach my decision.

Mrs A said because she didn't take PPI on later loans this shows she wouldn't have taken PPI on this loan if she'd known it was optional. But I need to consider what was happening *at the time* Mrs A took this loan in 2003. So I don't think that what Mrs A did with later loans helps me decide this complaint.

So I still think Nationwide did make clear the PPI was optional - for the reasons I gave in my provisional decision.

In my provisional decision I found Nationwide hadn't given Mrs A enough proper information about the PPI. Mrs A thought this meant her complaint should be upheld. But I must decide if Mrs A lost out as a result of Nationwide not giving her enough proper information.

In my provisional decision I didn't think Mrs A lost out because I thought she would've taken the PPI anyway. Mrs A made some comments about this, which I consider next.

Mrs A previously told us about some of her work benefits and other cover and I took these and her job security into account when making my provisional decision. Mrs A said she also had redundancy pay, death in service benefit and annual leave. But nothing Mrs A told us suggests these would've made a difference to her ability to pay the loan and her other living costs *after* these/her other work benefits ran out.

Mrs A told us her husband would've been able to cover any loan payments. But her husband wasn't liable under the loan agreement. And people's circumstances can change. So I can't fairly rely on Mrs A's husband's income when deciding this complaint.

Mrs A said that paying for PPI caused her financial hardship although she's not given us any detail about this. Looking at the sample agreement, I can see the costs of the PPI would've been set out separately from the loan costs. And that the overall *and* the monthly cost of the PPI would've been clear to Mrs A at the time. So nothing I've seen suggests that - at the time in 2003 - the cost of the PPI would've been an issue for Mrs A.

So taking this all into account (and what I've said in my provisional decision), I still don't think Mrs A lost out as a result of Nationwide not giving her enough proper information. Because based on what she's told us about her circumstances I think Mrs A would've still taken the PPI if Nationwide had properly told her about it.

my final decision

I've decided not to uphold Mrs A's complaint for the reasons I've given above/in my provisional decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 9 November 2015.

Julian Cridge
ombudsman

copy of provisional decision

background

Nationwide sold Mrs A a single premium PPI policy by phone in 2003. It included accident, sickness and unemployment cover. The policy cost £506.88 (including interest over the three years of the loan).

Our adjudicator upheld the complaint. Nationwide didn't agree and so this complaint comes to me to decide.

my provisional 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 Mrs A's complaint.

did Nationwide make it clear to Mrs A that the PPI was optional?

Mrs A said she was told she had to take PPI to get the loan. Mrs A hasn't given us much detail about what was actually said to her in the call to make her think this. But I think this is understandable because the sale happened so long ago. So I've given more weight to what documents from the time show

Nationwide sent us a copy of the sales script they say their staff used in 2003. This shows that Mrs A would've been given a quote for the loan with and without the PPI. And based on what Mrs A's told us, I can't say it's likely that she wasn't given quotes for the loan with and without PPI.

Nationwide don't have a copy of the loan agreement signed by Mrs A. But they've sent us a copy of the kind of agreement they say Mrs A would've completed. This loan agreement is similar to other Nationwide loan agreements that I've seen from the time. So, I think it's likely Mrs A would've signed a form that was similar to the one Nationwide sent us.

Looking at the loan agreement, it has columns headed "Principal Loan", "Optional Credit Insurance" and "Total". Nationwide said because these had the different costs filled in, this would've made it clear to Mrs A that she was taking PPI with her loan.

Having thought about this carefully, I think Nationwide did make it clear the PPI was optional. Because I think Mrs A was given a quote for the loan with and without PPI. And because the loan agreement clearly referred to the PPI as 'Optional Credit Insurance'.

did Nationwide recommend PPI to Mrs A?

Mrs A said Nationwide recommended the policies but Nationwide said their sales process meant they wouldn't have recommended the PPI.

Mrs A hasn't explained what was said to her during the call to make her think Nationwide was recommending PPI. And from what we know of Nationwide's sales processes at the time, Nationwide didn't usually recommend PPI to their customers.

Taking this all into account, I don't think it's likely Nationwide did recommend PPI to Mrs A.

did Nationwide give Mrs A enough information to make a proper choice about taking the policy?

Nationwide had to give Mrs A clear, fair and not misleading information about the policy. They also had to highlight its important terms and any unusual ones. But I don't know what Nationwide actually

said to Mrs A. And apart from the loan agreement I don't know what documents - if any - Nationwide actually sent Mrs A. So it's possible Nationwide didn't give Mrs A enough information to make a proper choice.

would Mrs A have taken PPI if Nationwide had given her enough information?

Mrs A met the policy's employment, age and UK residency requirements and so was eligible for it. Mrs A told us she had work sick pay benefits worth more than six but less than 12 months of her salary. And that she had savings worth 12 months or more of her pay. Mrs A also said her husband would help out if needed.

The policy covered Mrs A if she had to stop work because of an accident, sickness or unemployment. For a successful claim, the policy would pay the monthly loan costs:

- until the end of the loan, if Mrs A couldn't work due to an accident or sickness
- or for up to 12 months if she became unemployed

Although Mrs A had work benefits and savings, the loan was over a period of three years. Nothing she's told us suggested she'd be able to pay the monthly loan costs and her other living expenses once her work benefits and savings ran out. And the PPI would pay the monthly loan costs until the end of the loan if Mrs A couldn't work due to sickness or an accident. And whilst I'm sure Mrs A's husband would've wanted to help out, I've not seen anything which shows that he was in a position to at the time.

So I think Mrs A would've thought the policy was useful to help make the loan repayments if she had to stop working for longer than her work benefits and savings would cover. And nothing Mrs A's told us about her circumstances at the time (eg a previous medical condition) suggests it would've been difficult for her to claim under the policy.

The loan costs should've been properly explained to Mrs A on the phone and I don't know what was actually said to her about these. But the loan agreement set them out clearly. So I don't think Mrs A would've been unsure about these when she signed the agreement. And if she'd wanted to repay the loan early Mrs A would've received a pro-rata refund of the policy cost.

So for the above reasons I think Mrs A would've taken the policy anyway. And so I currently don't intend to uphold Mrs A's complaint.

my provisional decision

For the reasons I've explained above, I currently don't intend to uphold Mrs A's complaint.

Julian Cridge
ombudsman