

complaint

Mr and Mrs W complain that Secure Trust Bank Plc (Secure Trust) mis-sold them a Payment Protection Insurance (PPI) policy.

background

In 2001, during a meeting, Mr and Mrs W took out a PPI policy in connection with a One-bill account to manage their household bills. The policy covered Mr W only and cost 7.88 pence per £1 unit. The policy benefit would cover the agreed repayments due to the account.

The policy provided Mr W cover if he couldn't work because of accident or sickness for up to 26 weeks per claim. And up to 52 weeks per claim if he lost his job.

Our adjudicator upheld Mr and Mrs W's complaint. He thought Secure Trust didn't make the cost of the policy clear enough to Mr and Mrs W. And if it had made the costs clearer, Mr and Mrs W wouldn't have taken the policy out. Secure Trust disagreed. It says it presented the policy as optional and gave Mr and Mrs W enough information so that they could make an informed decision.

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'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 and Mrs W's case.

I've decided to uphold Mr and Mrs W's complaint.

I don't have any evidence to say that Secure Trust advised Mr and Mrs W to take out the policy. This means it didn't have to make sure the policy was right for Mr W. But it did have to give Mr and Mrs W enough clear information so that they could make an informed choice about the insurance they were buying. I don't think Secure Trust did this well enough.

Secure Trust says that because the PPI covered all Mr and Mrs W's household bills which varied from month to month it wasn't possible to give them a quote for the likely monthly cost of the policy. But without a clearer idea of the likely overall cost of the policy, I don't think Mr and Mrs W would've found it easy to understand how much they'd be paying for the policy.

Secure Trust has given us a copy of Mr and Mrs W's account quotation, which it says, it completed, at the time with Mr and Mrs W. I can see that the account quotation lists Mr and Mrs W's monthly expenses. And shows in one single amount how much Mr and Mrs W have to pay each month to cover all their bills.

The quotation states '*these payments include sickness, accident & redundancy Insurance at 7.88 for each £ unit required.*' I don't have any evidence of how the cost would've been explained to Mr and Mrs W and in my view if the quotation is representative of the information Mr and Mrs W was given about cost it seems to me there was no straightforward way for them work out the likely cost of the policy.

I think Mr and Mrs W would've found it difficult to complete the calculations necessary to give them an idea, in the light of their anticipated liabilities (to be paid using the account), how much the policy would cost. And they wouldn't have been aware they needed to factor into those calculations the need to keep paying the weekly policy premium in the event of a successful claim. So I don't think the true cost of the benefit was made clear to them. And Mr and Mrs W couldn't make an informed choice about the insurance they were buying.

Secure Trust has also given us a copy of the calculations it completed at the time. And pointed out that it included amounts how much Mr and Mr W would've paid with and without insurance. I've looked at the calculations and can see that under a heading "*Payment Levels*" there are two columns headed "no S/A/R" and "inc S/A/R" with two sets handwritten figures underneath. But this form was filled in by Secure Trust's adviser. And I note that Mr and Mrs W haven't signed this form. So I can't be sure that they saw it at the time they agreed to take out the insurance.

Secure Trust has also pointed out that it regularly updated Mr and Mrs W about any changes regarding the cost and benefits to the policy throughout the life of the insurance via post. But even if I accept that Mr and Mrs W did receive these letters, they were sent *after* the policy was sold.

In summary, I don't think the true cost of the benefit was made clear to Mr and Mrs W at the time when they decided to take it out. So they couldn't make an informed choice about the insurance they were buying.

I've also kept in mind that Mr and Mrs W were setting up a credit facility to help manage their monthly bills, which suggests to me that they wouldn't have considered themselves to be in a strong financial position. So I think cost would've been an important consideration for them. And I don't think they would've taken out the PPI if they'd properly understood the cost and benefits. This means Mr and Mrs W are worse off as a result of what Secure Trust did wrong, so it should put things right.

what Secure Trust should do to put things right

Mr and Mrs W should be put back in the position they would have been in now if they had taken out the One Bill account without the PPI policy. I understand the policy was cancelled in 2009.

So Secure Trust should pay back to Mr and Mrs W all the premiums paid towards the policy from the date it started to the cancellation date. Secure Trust should also pay Mr and Mrs W 8% simple interest[†] on each premium paid, from the date it was paid until the date they get it back. Secure Trust should explain to Mr and Mrs W how it has worked this out.

If any successful claim was made under the policy, Secure Trust can take off the claim amount from the amount it owes them.

[†] HM Revenue & Customs requires Secure Trust to take off tax from this interest. Secure Trust must give Mr and Mrs W a certificate showing how much tax they've taken off if they ask for one.

my final decision

For the reasons I've explained, I've decided to uphold Mr and Mrs W's complaint and direct Secure Trust Bank Plc to pay them compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs W to accept or reject my decision before 5 November 2015.

Sharon Kerrison
ombudsman