

complaint

Miss L complains that Creation Financial Services Limited mis-sold a payment protection insurance (PPI) policy to her.

background

In 2006 Miss L took out a loan to pay for furniture. At the same time Creation sold her a PPI policy. This was added to the loan and repaid over the loan term.

Our adjudicator upheld Miss L's complaint, because she didn't think Creation had made clear how much the policy would cost. Creation disagreed. It said the paperwork it gave Miss L when she bought the policy would have made her aware of the cost.

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 L's case.

I've decided to uphold Miss L's complaint because I agree with the adjudicator that Creation didn't properly tell Miss L how much the policy cost. I say this because:

- The credit agreement set out the PPI premium and the total cost. But it didn't show the PPI interest as a separate figure. And it wasn't reasonable to expect Miss L to work it out for herself. She was entitled to expect all the important information about the cost of the policy to be in the loan agreement.
- The statement of price did set out the interest. But it seems to have been on page two of a document setting out information about the policy. It wasn't easy to find, or where Miss L would expect it to be. I can't be sure it was drawn to her attention, particularly when she was in a shop and her attention was on buying furniture – not on buying insurance. Miss L says (and I accept) that the policy was not discussed.
- None of the paperwork set out the monthly cost of the policy. This would have been good practice and might have helped Miss L better understand what it was costing her.
- I don't think Miss L would have bought the policy if she'd been made properly aware of how much it was going to cost her, compared to the modest amount she was borrowing.

Given the above, I don't need to go on to look at any further aspects of the way the policy was sold. However, for clarity, I will add that I agree with the adjudicator that I can't see that sufficient information was made available to Miss L regarding policy exclusions relating to her medical condition.

For these reasons, I uphold Miss L's complaint.

fair compensation

Miss L borrowed extra to pay for the PPI, so Miss L's loan was bigger than it should've been and she paid more than she should've each month. So Miss L needs to get back the extra she paid.

So, Creation should:

- Work out and pay Miss L the difference between what she paid each month on the loan and what she would've paid each month without PPI.
- Add simple interest to the extra amount Miss L paid each month from when she paid it until she gets it back (the rate of interest is 15% a year until April 1993 and 8% a year from then on[†]).

If Miss L made a successful claim under the PPI policy, Creation can take off what she got for the claim from the amount it owes her.

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

my final decision

I uphold Miss L's complaint. Creation Financial Services Limited must pay Miss L the compensation I've described above.

Paul Bishop
ombudsman