

complaint

Mrs R complains she was mis-sold payment protection insurance ('PPI').

It's been agreed in this case that Financial Insurance Company Limited ('FICL') as the insurer should accept responsibility for the complaint. To keep things simple I'll refer to FICL in my decision.

background

This complaint is about a monthly premium policy bought in 2004 when Mrs R applied for a House of Fraser card in store. The account was an 'options account'.

The policy cost £1.50 for every £100 Mrs R owed on the card. Had she claimed, it would've paid a monthly benefit equal to 15% of the outstanding balance on the card at the time of claiming. The policy also provided purchase and price protection.

Our adjudicator said Mrs R's complaint should be upheld. They thought FICL hadn't made the cost and benefits clear enough to Mrs R when she took out the policy. They thought if this information had been clearer to Mrs R she wouldn't have taken out the cover given her circumstances at the time.

FICL disagreed with the adjudicator's initial assessment. So the complaint has come to me.

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 Mrs R's case.

Mrs R says the PPI was added to her account without her knowledge and she doesn't recall PPI being discussed. FICL says the policy was sold to Mrs R in the store at the same time as Mrs R's card was taken out.

I don't know what happened at the time. But based on the evidence and submissions I have, I think it most likely that the policy was sold in a store and I don't think FICL advised Mrs R to have the policy. This means FICL didn't have to make a suitable recommendation for Mrs R's circumstances. Instead FICL had to give Mrs R enough clear information about the policy to help her decide whether it was right for her. This included information about the cost and benefit.

I don't think it did that and I think this affected Mrs R's decision. So I've decided to uphold her complaint.

FICL says the cost of the policy was set out on Mrs R's credit agreement. But I can see the cost of the policy is not written where Mrs R was required to sign to take out the policy, so it's possible she may not have seen it. But even if I accept that Mrs R would have seen this, I don't think she would have understood what the policy was really going to cost her. This is because the information FICL says was given to Mrs R was limited to just the headline cost (*'just 1.5p for every pound on your monthly outstanding balance'*).

To help Mrs R understand the cost in real terms, I think FICL could have provided examples of what the cost might look like if she spent on the account. Mrs R should have been told the premiums would have added to what she owed on the card and that they could've attracted interest, making the policy more expensive than it appeared.

I also can't see that Mrs R was made aware she would have to keep paying for the policy during a claim. This was important because it meant the benefit was lower in real terms.

FICL may have sent Mrs R information about the policy after she applied for it. But important information like the real cost and benefit should have been highlighted and given to Mrs R before she made her choice.

Because I don't think this information was available to Mrs R at the time of making her decision, Mrs R wasn't able to weigh up what she was getting for her money and whether it was worthwhile for her. Looking at Mrs R's circumstances, I don't think she would have taken out the policy had she been given that chance.

Mrs R's submissions are that she was self-employed at the time. She had been running a business for over 30 years and she had other means with which she could meet her repayments if she were unwell. Mrs R had savings which significantly exceeded the credit limit on the card she'd been given. So I think she would have been able to clear any outstanding balance on the card if she needed to. Because of this, I think if Mrs R had properly understood what the policy cost and the benefit it provided, I don't think she would have viewed the policy as worthwhile for her.

So I think Mrs R's need for this policy was limited. And I don't think she would have taken out the policy if she'd been properly informed about it at the time.

what FICL needs to do to put things right

FICL should put Mrs R in the financial position she'd be in now if she hadn't taken out PPI. If possible,

- A. FICL should find out how much Mrs R would have owed when she closed her card account if the policy hadn't been added.

So, it should remove the PPI premiums added, as well as any interest charged on those premiums. It should also remove any charges that were caused by the mis-sale of the PPI – as well as any interest added to those charges.

FICL should then refund the difference between what Mrs R owed when she closed her account and what she would have owed if she hadn't had PPI.

If Mrs R made a successful claim under the PPI policy, FICL can take off what she got for the claim from the amount it owes her.

- B. FICL should add simple interest on the difference between what Mrs R would have owed when she closed her account from when she closed it until she gets the refund. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]
- C. If – when FICL works out what Mrs R would have owed each month without PPI – Mrs R paid more than enough to clear her balance, FICL should also pay simple interest on the

extra Mrs R paid. And it should carry on paying interest until the point when Mrs R would've owed FICL something on her card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]

FICL may not be able to work out A, B and C if it doesn't know when the PPI premiums were added, how much the PPI premiums were and/or how much interest was charged on those premiums. So if FICL can't do A, B and C, it should:

- D. use what it knows about Mrs R – and, if necessary, consumers who took out the same type of PPI policy for the same length of time – to estimate how much she paid for PPI (including interest) – and pay this to Mrs R instead of A, B and C.

If Mrs R made a successful claim under the PPI policy, FICL can take off what she got for the claim from the amount it owes her.

- E. FICL should add simple interest on this amount (D) from the date the account was closed until the date Mrs R gets her refund. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]
- F. FICL should tell Mrs R what it's done to work out her compensation – and if it has to estimate how much she paid for PPI, it should explain why and give Mrs R the chance to provide any missing information.

[†] HM Revenue & Customs requires FICL to take off tax from this interest. FICL must give Mrs R a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons above, my final decision is that Mrs R's complaint is upheld. Financial Insurance Company Limited must pay Mrs R compensation as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 30 October 2015.

Kristina Mathews
ombudsman