

complaint

Mrs M complains that Secure Trust Bank Plc (Secure Trust) mis-sold her a Payment Protection Insurance (PPI) policy.

background

In 2006, during a meeting, Mrs M took out a PPI policy in connection with a One-bill account to manage her household bills. The cost of the policy was 8.92 pence per £1unit. The policy benefit would cover the agreed repayments due to the account.

The policy provided Mrs M cover if she couldn't work because of accident or sickness for up to 26 weeks per claim. The policy also provided funeral expenses cover.

Our adjudicator upheld Mrs M's complaint. She thought Secure Trust didn't make the cost of the policy clear enough to Mrs M. And if it had made the costs clearer, she thought Mrs M wouldn't have taken the policy out. Secure Trust disagreed. It says it presented the policy as optional and gave Mrs M enough information so that she 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 Mrs M's case.

I've decided to uphold Mrs M's complaint.

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

Secure Trust has argued that because the PPI covered all Mrs M's household bills which varied from month to month it wasn't possible to give her 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 Mrs M would've found it easy to understand how much she'd be paying for the policy.

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

The quotation states '*these payments include sickness, accident & redundancy Insurance at 8.92p for each £ unit required.*' But I don't have any evidence of how the cost would've been explained to Mrs M and in my view if the quotation is representative of the information Mrs M was given about cost it seems to me there was no straightforward way for her work out the likely cost of the policy.

I think Mrs M would've found it difficult to complete the calculations necessary to give her an idea, in the light of her anticipated household outgoings (to be paid using the account), how

much the policy would cost. And she wouldn't have been aware she 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 her. So Mrs M couldn't make an informed choice about the insurance she was buying.

Secure Trust has also pointed out that it regularly updated Mrs M about any changes regarding the cost and benefits to the policy throughout the life of the insurance. But even if I accept that Mrs M did receive these updates, they were sent *after* the policy was sold. And I've also kept in mind that Mrs M was setting up a credit facility to help manage her monthly household bills, which suggests to me that she wouldn't have considered herself to be in a strong financial position. So I think cost would've been an important consideration for her.

Weighing everything up, I don't think Secure Trust made the true cost of the benefit clear to Mrs M at the time when she decided to take it out. So she couldn't make an informed choice about the insurance she was buying. And I don't think she would've taken out the PPI if she'd properly understood the cost and benefits. This means Mrs M is worse off as a result of what Secure Trust did wrong, so it should put things right.

I know Mrs M says Secure Trust shouldn't have sold her the policy because she was self-employed. But I've not made a finding on this point because the reasons above are enough to make me think Mrs M's complaint should be upheld

what Secure Trust should do to put things right

Mrs M should be put back in the position she would have been in now if she had taken out the One Bill account without the PPI policy. I understand the policy was cancelled.

So Secure Trust should pay back to Mrs M all the premiums paid towards the policy from the date it started to the cancellation date. Secure Trust should also pay Mrs M 8% simple interest[†] on each premium paid, from the date it was paid until the date she gets it back. Secure Trust should explain to Mrs M 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 her.

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

my final decision

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

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

Sharon Kerrison
ombudsman