Financial Ombudsman Service

complaint

Mr and Mrs M complain that Bank of Scotland plc ("Bank of Scotland") mis-sold them monthly premium payment protection insurance ("PPI") policies.

background

Mr and Mrs M took out 2 loans with Bank of Scotland, one in 2001 and another in 2005. At the same time as taking out each loan, they were sold a PPI policy to cover it. The policies were set up to cover Mr M only.

One of our adjudicators looked at this complaint and thought that it shouldn't be upheld.

Mr and Mrs M disagreed with the adjudicator's opinion, so the complaint has been passed to me to consider.

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 this case.

I've decided not to uphold this complaint and I'll explain the reasons for this.

Firstly, I've looked at whether it was clear that Mr and Mrs M had a choice about whether or not to take out the PPI. I've looked at the paperwork from the time of the sale and the testimony of both parties to help me decide what's most likely to have happened.

Mr and Mrs M told us that Bank of Scotland advisers informed them that the PPI was a condition of the loan.

Having looked at the paperwork, I see that Mr and Mrs M were given loan application forms. These recorded the amount of the loans and the purpose for which they were taking them out.

The form also presented clear options regarding the PPI. There was a box to sign to show whether Mr and Mrs M wanted to take it out. And there was an alternative, equally prominent box to sign to say that they didn't want to take it out. On the first form the box said:
"Yes, I would like to take advantage of the peace of mind offered by Personal Loan Repayment Insurance in the event that I am unable to work due to involuntary unemployment, accident or sickness."
The second form had the same text, and also stated that the PPI included carer and life cover. As the first applicant on the loans Mr M signed in these boxes to request cover under the policies.

I appreciate that Mr and Mrs M have given us their honest recollection of the conversations that they had about the policies. But in order to find that they were misled , I would have to be satisfied that they were told the opposite of what was on the face of the credit agreement by two advisers, on two separate occasions. Having considered the evidence, I'm not persuaded that it's most likely this happened. It seems equally likely for example, that Mr and Mrs M thought the PPI was a good idea and no longer remember, because the sales took place so long ago.

I think it's most likely that having read these forms, Mr and Mrs M understood that the policies weren't compulsory because there was a clear choice between "yes" and "no." So overall, I think Bank of Scotland made clear to them that they had a choice about whether or not to take out the PPI.

Next I've looked at whether the policies were suitable for Mr and Mrs M.

First of all, there were rules about who could qualify for the policies and based on the information that's been provided to us, it looks like Mr M met those rules.

I've also checked the main exclusions and restrictions of the policies and it doesn't look like Mr M would've been caught out by any of them.

Mr and Mrs M told us that if Mr M was too ill to work, he'd have been entitled to statutory sick pay. And he also had other means by which he could make his repayments, which were worth approximately 3 months of his pay.

Even so I don't think this means that the PPI wouldn't have been useful for Mr and Mrs M. If Mr M was too ill to work or was made unemployed, the policies would've covered the loan repayment and given them peace of mind and security at a difficult time. They would have allowed them to use Mr M's statutory sick pay for other necessary household expenses. So overall, I think that the policies were suitable for them. And they also appear to have been affordable for them.

Finally, it's possible that Bank of Scotland didn't give Mr and Mrs M clear enough information about the cost, benefits, main exclusions and restrictions of the policies. But for the reasons I've already explained above, I don't think that Mr and Mrs M would have been affected by the main exclusions and restrictions. So on balance, I don't think having better information would have made them change their minds about taking out the policies.

Mr and Mrs M have told us that if they had known about the cost of the policies they wouldn't have taken them out. But for the reasons I've explained above, I think that these policies were suitable for them. And the cost was comparable to the cost of other, similar policies available at the time. So I think if the costs had been explained it's most likely Mr and Mrs M would have decided the policies were good value for them. Overall, I don't think having better information about the costs would have put them off taking them out.

my final decision

For the reasons set out above, I'm not upholding Mr and Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 6 November 2015.

Katrina Hyde
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