

complaint

Mrs R says Creation Financial Services Limited (“Creation”) mis-sold her a payment protection insurance (“PPI”) policy.

background

In 2007 Creation sold Mrs R a monthly premium PPI policy to cover her store card account. The policy offered life, unemployment, accident and sickness cover. Mrs R says she didn’t want or need the policy. And she wasn’t given enough information about it.

Our adjudicator upheld the complaint. She didn’t think Creation made the cost and benefits of the PPI clear enough to Mrs R. And she didn’t think she would’ve bought it, if it had.

Creation disagreed. And so, the complaint was referred 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.

I’ve decided to uphold Mrs R’s complaint for largely the same reasons as the adjudicator.

Creation was required to give Mrs R enough clear information about the policy before she bought it – so she could decide whether it was right for her. This included making the cost and benefits of the policy clear. And I don’t think it did.

I understand the policy was sold to Mrs R over the telephone when she called to activate her store card. And Creation says the cost and benefits of the policy would’ve been explained during this call. It gave us a script to show what the advisor would’ve said to Mrs R during the call.

The script says the policy cost ‘*1 and ½ pence per pound of the balance on your statement each month*’ (£1.50 per £100 of the outstanding balance on the card). But Creation told us the policy cost £1.85 for each £100 owed. I understand there have been some price increases since Mrs R bought the PPI, which may explain this difference. But whether the cost was £1.50 or £1.85 per £100, my decision remains the same.

Looking at the call script and the way the advisers were directed to explain the cost, I don’t think it was made clear enough to Mrs R. The script says: ‘*This insurance premium will be charged to your account*’. But it doesn’t make clear that the premiums could attract interest as a result – making the policy more expensive than it seemed. And although the advisor would’ve explained the monthly benefit as ‘*your minimum monthly repayments on your card*’ (according to the script), it didn’t explain that Mrs R would’ve had to keep paying the premium if she made a claim – which also meant the benefit was lower in real terms.

This means I don’t think Mrs R would’ve known how much she’d really be paying for the policy each month. And I don’t think she would’ve properly understood the benefit.

Creation says Mrs R would've been sent the policy documents after the sale, which set out the cost and benefits in more detail. But she should've been given clear information *before* she agreed to buy it. And I can't see that this happened for the reasons I've explained.

This means Mrs R wasn't able to weigh up what she was getting for her money or whether the policy was worthwhile before she bought it. Given her circumstances at the time, I don't think she would've taken it out if she'd been given this chance.

I say this because Mrs R was in full time employment and would've received six months full pay and six months half pay if she was too sick to work. She also says she had savings of £12,000 at the time. So I don't think Mrs R would've had much difficulty in keeping up the minimum repayments on the card for quite some time if she wasn't working. And I don't think she had a strong need for the policy as a result. On balance, I don't think Mrs R would've thought the policy was good value for her if she'd properly understood the details.

I know the policy also gave her cover if she lost job. But I've not seen anything to suggest that accident and sickness cover wasn't equally as important to her as unemployment cover. And I don't think life cover, price or purchase protection would've been enough to make her want to buy it.

Overall, I don't think Creation gave Mrs R enough clear information about the cost and benefits of the policy before she decided to buy it. And, given her circumstances at the time, I don't think she would've bought the policy if it had.

This means I think Mrs R has lost out as a result of what Creation did wrong. So it needs to put things right.

what Creation must do to put things right

Creation should put Mrs R in the financial position she'd be in now if she hadn't taken out PPI. The policy should be cancelled if it hasn't been cancelled already and:

- A. Creation should find out how much Mrs R would owe on her store card if the policy hadn't been added to it.

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.

Creation should then refund the difference between what Mrs R owes and what she would have owed.

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

- B. If – when Creation works out what Mrs R would have owed each month without PPI – Mrs R paid more than enough to clear her balance, Creation 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 Creation something on her store card. The interest rate is 8% a year.†
- C. Creation should tell Mrs R what it's done to work out A and B.

† HM Revenue & Customs requires Creation to take off tax from this interest. Creation 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 I've explained, I uphold Mrs R's complaint. Creation Financial Services Limited must pay Mrs R the fair compensation 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 23 December 2015.

Joanna Brown
ombudsman