

complaint

This complaint is about a loan payment protection insurance (PPI) policy taken out in 2008. Mrs C says 1st Class Credit Union Limited mis-sold her the PPI.

my findings

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Due to the time that's passed since this policy was sold, there's some uncertainty about the level of cover that the policy offered. I say this because there's an indication that the level of cover may have been accident and sickness only, as 1st Class Credit Union Limited in their submissions to our Service made reference to this level of cover.

1st Class Credit Union Limited have since told me that at the time of sale they offered a choice of accident and sickness cover or accident, sickness and unemployment cover ('ASU') – which Mrs C was sold. However, I've not seen any supporting evidence that there would have been a choice between the two levels of cover. I say this because the paperwork from the sale shows two options for PPI – to accept or decline ASU. But I haven't seen any evidence that there would have been an option to choose between the level of cover.

I also tried to contact the underwriter of this policy to definitively establish the correct level of cover, but unfortunately their records are incomplete. So, I've considered that in this case, it's *likely* the only level of cover available was ASU as it appears from the application form, that this was the only option.

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 C's case.

I've decided the policy wasn't mis-sold because:

- I think 1st Class Credit Union Limited made it clear that Mrs C didn't have to take out the PPI and she chose to take it out – although I can understand why she may not remember this.

I say this because I've seen some of the paperwork completed at the time of sale. On Mrs C's loan application form there are two options for PPI. There's an option to take PPI; *'I wish to insure my loan for accident, sickness and unemployment cover'*, and there's also an option to decline PPI; *'I do not wish to take payment protection insurance.'* There's an indication that the option to take PPI was selected and Mrs C signed the overall application on 17 July 2008.

I've also seen a loan agreement that Mrs C has signed on 28 July 2008 to agree to the loan and PPI.

I've carefully considered what Mrs C has said about being *'advised to take out the protection policy to assist'* her application. Based on everything I've seen, I've not seen any supporting evidence that this was the case. In my opinion, the PPI was presented as optional on the paperwork and I'm satisfied that Mrs C chose to take it out.

- 1st Class Credit Union Limited didn't recommend the PPI to Mrs C so it didn't have to check if it was right for her. But it did have to make sure Mrs C got the information she needed to decide if it was right for her.
- It's possible the information 1st Class Credit Union Limited gave Mrs C about the PPI wasn't as clear as it should've been. But she chose to take out the PPI - so it looks like she wanted this type of cover. Based on what I've seen of her circumstances at the time it doesn't look like she was affected by any of the exclusions to or limits on the PPI cover - so it would have been useful for her if something went wrong.

Mrs C has said she didn't need PPI because of her existing means of making her loan repayments if she was unwell and unable to work or if she was made unemployed.

But for a successful accident or sickness claim, this policy could have paid out for longer (for up to 24 months) than Mrs C's sick pay likely would have lasted. I've also considered that although Mrs C would likely have been entitled to a decent redundancy pay out if she was made unemployed – due to her length of employment, this PPI policy would have paid out in addition to her redundancy.

So I still think that she could have found the PPI useful if she needed to make a claim.

- It also looks like the PPI was affordable. So I don't think better information about the PPI would have put her off taking out the cover.

I've also thought about the commission Mrs C paid on her policy – and whether 1st Class Credit Union Limited treated her unfairly.

1st Class Credit Union Limited has told us that the commission for Mrs C's policy was less than half of what she paid for each premium. We've looked at how 1st Class Credit Union Limited has been working this out and based on what we've seen it looks like it's right – Mrs C's commission was less than half the cost of the policy. As that's the case, I don't think it needed to tell her about the commission – so I don't think 1st Class Credit Union Limited treated her unfairly. This means it doesn't need to pay Mrs C back any of the commission she paid for the PPI.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs C to accept or reject my decision before 30 April 2019.

Daniel O'Shea
ombudsman

