

## **complaint**

Mrs R says that NewDay Limited (NewDay) mis-sold her a regular premium payment protection insurance (PPI) policy with a credit card.

## **background**

NewDay sold Mrs R the PPI with a credit card she took in 2000. The PPI included accident, sickness and unemployment cover and cost £0.72 for every £100 covered. And NewDay said it would pay 10% of the outstanding monthly balance on the credit card for up to 12 months if Mrs R made a successful accident, sickness or unemployment claim.

Our adjudicator upheld Mrs R's complaint because he didn't think the policy gave Mrs R good value. NewDay didn't agree and so the complaint comes to me to decide.

## **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 R's complaint.

Our adjudicator decided that NewDay hadn't done enough to make it clear to Mrs R that the PPI was optional. And Mrs R also said she didn't know at the time she'd been sold PPI. But I don't need to make a decision about this, because of what I've decided below.

NewDay had to give Mrs R enough clear, fair and not misleading information about the policy so she could make a proper decision about taking PPI. They told us that Mrs R had been given the terms and conditions and policy schedule. And that the cost of the PPI was shown on the application form.

I've looked at the documents NewDay say would've been given to Mrs R. I think that they're all written in small, dense text and the main terms and exclusions are not highlighted or printed in a way that would've obviously drawn Mrs R's attention to them. I don't think they'd have been easy to read or understand. And the wording of the credit card application Mrs R signed is also in small, dense text. Whilst the cost of the PPI is shown there in small text, the form doesn't explain that Mrs R would have to pay interest on the monthly PPI cost if she didn't pay the outstanding balance each month. And I note that on the application form the salesperson wrote that Mrs R was in a hurry. I think this would've made it even less likely Mrs R would've read anything she was given before she signed the form. So I don't think that NewDay did do enough to give Mrs R enough clear, fair and not misleading information about the policy before she signed the application.

So having found that there were some information failings in how the policy was sold to Mrs R, I now have to decide whether she lost out as a result. Would Mrs R have taken the policy if NewDay had given her enough proper information about it?

I've set out the policy's cost and main benefits above. Mrs R told us she had work benefits that gave 6 months full and 6 months half pay if she couldn't work due to an accident or sickness. And that she had savings worth more than 6 but less than 12 months of her pay. So if NewDay had given her enough information, I think Mrs R would've thought she was buying a policy that provided cover she didn't really need. And so I don't think Mrs R

would've taken the policy because I don't think she'd have thought it was good value for money.

So for the above reasons I uphold Mrs R's complaint.

### **what NewDay should do to put things right**

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

- A. NewDay should find out how much Mrs R would have owed when she closed her credit 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.

NewDay 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, NewDay can take off what she got for the claim from the amount it owes her.

- B. NewDay should add simple interest (at 8% a year)<sup>†</sup> 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.
- C. If – when NewDay works out what Mrs R would have owed each month without PPI – Mrs R paid more than enough to clear her balance, NewDay should also pay simple interest (at 8% a year)<sup>†</sup> on the extra Mrs R paid. And it should carry on paying interest until the point when Mrs R would've owed NewDay something on her credit card.
- D. NewDay should tell Mrs R what it's done to work out A, B and C.

<sup>†</sup> HM Revenue & Customs requires NewDay to take off tax from this interest. NewDay 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 above, I uphold Mrs R's complaint. NewDay Limited should pay Mrs R compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs R to accept or reject my decision before 29 June 2015.

Julian Cridge  
**ombudsman**