

complaint

Mr B's complaint is about a payment protection insurance (PPI) policy taken out in June 2007 alongside a credit card. Mr B says that The Royal bank of Scotland Plc (RBS) mis-sold the policy.

background

In June 2007 Mr B applied for an RBS credit card using a postal application form. At the same time Mr B purchased the PPI policy.

Mr B subsequently complained to RBS about the sale of the policy. Unhappy with RBS's response Mr B brought his complaint to this service.

An adjudicator from this service wrote to Mr B in June 2013. In her letter the adjudicator explained why she was recommending that Mr B's complaint should not succeed.

Mr B did not agree with the adjudicator's findings and asked that his complaint be considered by an ombudsman.

Mr B is being represented by a third party.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. In doing so I have taken into account any relevant regulatory guidelines, the law and good industry practice at the time the policy was sold.

It seems to me that the relevant considerations in this case are materially the same as those set out in the section of our website explaining how we deal with PPI complaints.

The overarching points I need to consider therefore are:

- Whether RBS gave Mr B information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying.
- Whether in giving any advice or recommendation, RBS took adequate steps to ensure that the product it recommended was suitable for Mr B's needs.
- If there were any shortcomings in the way the policy was sold I need to decide if Mr B is worse off as a result. That is, would Mr B be in a different position to the position he finds himself in now if there had not been any shortcomings.
- Where RBS and Mr B are not in agreement on a particular point, I will review all the available evidence and testimony to reach a conclusion on the balance of probabilities – i.e. what I consider more likely than not to be the case.

did RBS provide Mr B with advice?

RBS has provided a copy of the credit card application form signed by Mr B in June 2007.

The form is of the type that would have been sent to Mr B for him to complete and return.

The form has been completed entirely by hand and at the top of the form there are instructions that it should be returned using the enclosed pre-paid envelope.

I am therefore satisfied that the sale was conducted by post and that it is unlikely RBS gave any advice to Mr B.

This means that RBS did not have to take reasonable steps to ensure the policy was suitable for Mr B's needs. However, it was still required to provide information to Mr B that was clear, fair and not misleading in order to put him in a position to make an informed decision about the policy.

was the policy presented as optional?

Part of Mr B's complaint is that he was not made aware the policy was optional. In order to address this issue I have studied the application form supplied by RBS.

On page one of the application form is the heading, *"Protect Yourself"*. Beneath this heading is the question, *"What if you can't work? Have your payments made when you can't due to accident, sickness or involuntary unemployment with Payment Protection"*. I note that this statement has been marked with a tick.

I note that a similar statement offering protection against losing the card has been marked with a cross.

On page two of the application there is the following section:

"I wish to purchase Payment Protection ☐

I wish to purchase Card Registration (1Year Household Policy) ☐

Card Registration (3 Year Household Policy) ☐

I understand that I am purchasing the product(s) ticked above on credit provided by you and that the terms relating to the credit for the product(s) can be found below and in the Key Financial Information, Other Financial Information and Key Information sections in this agreement

Your Signature

Optional Insurance – you will NOT be covered unless you tick and sign above.

**Payment Protection*

Please tick the relevant box and sign above to confirm that:-

*(One) you do wish to purchase Payment Protection at a premium of 79p (which may be varied) for every £100, or part thereof, of outstanding balance on the statement date. The monthly premium will be treated as a purchase transaction and debited to the account; and
(Two) you are eligible for the cover in accordance with the accompanying policy summary."*

I note that the box beside payment protection has been ticked whereas the other two boxes for card registration have not. I can also see that Mr B has signed the declaration immediately above the sentence "*Optional Insurance – you will NOT be covered unless you tick and sign above*".

From the evidence I have seen, I am not persuaded that the policy was presented as anything other than optional.

were Mr B's information needs met?

Turning to the information Mr B received about the policy at the time, I cannot be certain that RBS did properly inform Mr B. For example I cannot be sure that the cost of the policy was made *sufficiently* clear to Mr B.

However, even if RBS had provided information about the policy that was any clearer, I consider it likely that Mr B's decision to go ahead with the policy would not have been any different. My reasoning for this is as follows:

- Mr B was working full time in June 2007 and would have been eligible for the cover that the policy provided.
- I have not seen any evidence that Mr B would have been subject to any of the limitations or exclusions of the policy such as pre-existing medical conditions or unusual employment terms.
- Mr B has told us that his employer provided him with sick pay benefits. Mr B has confirmed that he would have received up to 18 weeks sick pay if he was to become too unwell to work. However, if Mr B were to be unable to work for longer than 18 weeks he would likely have had to rely on statutory sick pay only and therefore have suffered a significant fall in income.
- Mr B has also said that he had some savings he could rely on if he encountered financial difficulties. Despite this, if Mr B were to have become unemployed or too ill to work over an extended period of time, the PPI policy would have allowed him to use his savings for other living expenses.
- Mr B has suggested he could rely on friends or relatives if he needed to. However even if this was the case, I am not persuaded the PPI would duplicate his other means. I say this because the purpose of the PPI was intended to remove the additional pressure of maintaining his credit card repayments, at what would likely be a difficult time financially. This particular PPI policy would provide him with cover for a sustained period up to a maximum of 12 months – something which friends or family may not be able to do easily.
- The cost of the cover was £0.79 pence per £100 of the credit card statement balance, with the policy premium potentially attracting interest along with the rest of the balance. The monthly benefit in the event of a claim for accident, sickness or unemployment was 10% of the outstanding balance for up to 12 months per claim, the policy also provided life cover.

I do have some concerns that the full cost of the policy was not explained sufficiently clearly the time of the sale. However, I find it unlikely, given his circumstances in June 2007, that more details about the cost would have deterred Mr B from taking out the policy.

I can understand that with hindsight Mr B may regard the policy as being unnecessary or expensive, particularly if he did not have cause to make a claim. However it is my view that given his circumstances at the time he would most likely have valued the peace of mind it provided.

summary

In summary I do not believe I can safely conclude that the PPI policy was presented to Mr B as anything other than optional. I am also not persuaded that Mr B would have decided against taking the PPI policy if he had been provided with any clearer information.

my final decision

My final decision is that I do not uphold Mr B's complaint and I make no award against The Royal Bank of Scotland Plc.

Steve Thomas
ombudsman