

complaint

Ms F says Leeds City Credit Union Limited (LCCU) mis-sold her payment protection insurance (PPI).

background

Ms F took out a number of loans with LCCU. This complaint relates to:

- policy one – sold in 2003 with loan one ending '1006
- policy two – sold in 2006 with loan two ending '5632

Our adjudicator thought the complaint should be upheld. LCCU's now offered to uphold Ms F's complaint in relation to policy one. But it still disagrees that it mis-sold policy two. So I've been asked to consider the matter.

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. Having taken this into account, I've decided to uphold Ms F's complaint. I'll now explain why.

Ms F applied for both loans online. Each time she was then sent out a credit agreement that she signed and returned. Both parties say LCCU didn't recommend the policies. Given that the sales were online, I think that's likely correct. This means LCCU didn't have to make sure the policies suited Ms F. But it did have to give her enough information about each policy, when she decided whether to buy it, to decide herself if she wanted it.

Ms F was diagnosed in 1994 with a chronic medical condition. She was taking medication, having regular blood tests, and would do for life. LCCU accepts that the policies included the following exclusion:

"you will not receive monthly benefit for any disability or unemployment caused by or resulting from...any medical condition or disease which you know of, or should reasonably have known of on the start date..."

So I don't think Ms F would've been able to claim for time of work caused by or resulting from her chronic condition. And from the nature of the condition, I think it's something that was possible and Ms F would've wanted the policies to cover.

LCCU's shown me that the summary of Ms F's online application for loan two included a notification about the medical exclusion. It says that this shows she'd have known about it. Although it accepts the summary of her application for loan one doesn't include this notification. So it's offered to uphold her complaint about policy one. LCCU also points out that Ms F stated she was in good health on both applications.

I've thought about all this. I see that the notification LCCU refers to in loan two's summary was in smaller font and less prominent than other aspects, such as which level of PPI she wanted. And this, of course, is only a summary and doesn't show me how the exclusion was presented to Ms F during her online application. But because it's less prominent in the summary, I think it was likely less prominent in the application.

I've also looked at what information was on the credit agreements Ms F signed. Neither of the agreements mention the medical exclusion or highlight the importance of Ms F reading any other policy documents sent with the agreements.

So I don't think there's enough to show me that LCCU did enough to highlight the exclusions for each policy during the online sale. And because the medical exclusion would've been important to Ms F, I don't think she'd have bought either policy if it had.

putting things right

LCCU should put Ms F in the 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 LCCU should:

- Pay Ms F the amount she paid each month for the PPI
- Add simple interest to each payment from when she paid it until she gets it back. The rate of interest is 8% a year[†].
- If Ms F made a successful claim under the PPI policy, LCCU can take off what she got for the claim from the amount it owes her.

[†] HM Revenue & Customs requires LCCU to take off tax from this interest. LCCU must give Ms F a certificate showing how much tax it's taken off if she asks for one.

my final decision

For these reasons I uphold Ms F's complaint and require Leeds City Credit Union Limited to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 25 September 2017.

Mike Foster
ombudsman