

## **complaint**

Mrs G complained that she was mis-sold a store card payment protection insurance (PPI) policy. Financial Insurance Company Limited ("FICL") has taken responsibility for this complaint.

## **background**

Mrs G bought the policy when she took out a store card in February 1997. FICL said that the sale took place in-store, and that Mrs G wasn't advised to take the PPI. Mrs G said she wasn't given any information about the PPI.

FICL couldn't confirm the exact cost of the policy. But from what we know about other sales at this time it's likely that the policy cost £1.00 for each £100 Mrs G owed on her store card. If she'd successfully claimed on the policy, each month it would've paid out 15% of what she owed on the card when she stopped working. This would've carried on until she returned to work or the balance was cleared.

Our adjudicator thought FICL hadn't clearly explained the terms of the policy. Mrs G said she was self-employed at the time of the sale, and the terms of the policy would've made it difficult to claim. He thought Mrs G wouldn't have bought the policy if she'd understood this. So he upheld the complaint.

## **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 G's case.

I've decided to uphold Mrs G's complaint.

FICL sent us a copy of Mrs G's store card application. This shows that she ticked a box on the form to say that she wanted to take out the PPI. From this I think Mrs G probably had a choice about whether to take the PPI, and that she *did* choose to take it. I think it's likely she just doesn't remember doing so.

From the information I have, I don't think FICL advised Mrs G to take out the PPI. But it should still have given her enough information for her to decide if the policy was right for her. I don't think it did.

As the sale took place in a store I can't know how the salesperson explained the policy. I can't say whether FICL clearly pointed out the main things the policy doesn't cover. FICL couldn't give us a copy of the exact policy document that would've applied. But from the sample document that I have, and what we know about other policies issued by FICL at about this time, I think Mrs G would've been affected by the main limitations. This is because she told us she was self-employed at the time of the sale. And in the sample policy document that I have, it says that the policy would only pay out if "*your business has stopped trading and has been or is in the process of being wound up or put into the hands of an insolvency practitioner, or a partnership has been or is in the process of being dissolved.*"

This would've made it difficult for Mrs G to make a claim for unemployment – far more so than if she'd been employed. From the information I have, I think Mrs G might well have seen ups and downs in her business, so her income might have varied as a result. But I don't think she'd necessarily have wanted or needed to close down her business completely.

I can't see that the store card application form refers to information on exclusions and limitations. And FICL said that the policy document would've been sent out *after* the sale. So it's not clear what policy information Mrs G would've had at the point of sale. From all this, I don't think Mrs G would've realised the cover available to her would be limited because of her employment status.

Overall I don't think Mrs G would've decided to take out the PPI with the store card if she'd fully understood the limitation in cover. This means Mrs G is worse off as a result of what FICL did wrong, so it needs to put things right.

### **fair compensation**

FICL should put Mrs G in the financial position she'd be in now if she hadn't taken out PPI. If possible

- A. FICL should find out how much Mrs G would've owed when she closed her store 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.

FICL should then refund the difference between what Mrs G owed when she closed her account and what she would have owed if she hadn't had PPI.

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

- B. FICL should add simple interest on the difference between what Mrs G would have owed when she closed her account from when she closed it until she gets the refund. The interest rate should be 8% a year.<sup>†</sup>
- C. If – when FICL works out what Mrs G would have owed each month without PPI – Mrs G paid more than enough to clear her balance, FICL should also pay simple interest on the extra Mrs G paid. And it should carry on paying interest until the point when Mrs G would've owed FICL something on her store card. The interest rate should be 8% a year.<sup>†</sup>

FICL may not be able to work out A, B and C if it doesn't know when the PPI premiums were added, how much the PPI premiums were and/or how much interest was charged on those premiums. So if FICL can't do A, B and C, it should:

- D. use what it knows about Mrs G – and, if necessary, consumers who took out the same type of PPI policy for the same length of time – to estimate how much she paid for PPI (including interest) – and pay this to Mrs G instead of A, B and C.

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

- E. FICL should add simple interest on this amount (D) from the date the account was closed until the date Mrs G gets her refund. The interest rate should be 8% a year.<sup>†</sup>
- F. FICL should tell Mrs G what it's done to work out her compensation – and if it has to estimate how much she paid for PPI, it should explain why and give Mrs G the chance to provide any missing information.

<sup>†</sup> HM Revenue & Customs requires FICL to take off tax from this interest. FICL must give Mrs G 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've decided to uphold Mrs G's complaint. Financial Insurance Company Limited must pay her the compensation I've described.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 9 November 2015.

Jan Ferrari  
**ombudsman**