

complaint

Mr and Mrs J say Nationwide Building Society mis-sold them a payment protection insurance (PPI) policy.

background

This complaint is about a single premium PPI policy taken out with a loan in 2000. Mr and Mrs J applied for their loan by post and the PPI was added during a later telephone conversation. The policy covered Mr J only.

Our adjudicator upheld the complaint. Nationwide disagreed with the adjudicator's opinion so the complaint has been passed to me.

my findings

I've 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 Mr and Mrs J's case.

I've decided to uphold Mr and Mrs J's complaint because I don't think Nationwide made it clear that they had a real choice about PPI.

Mr and Mrs J have said that they were led to believe they had to take out PPI to get their loan.

Nationwide says the PPI was sold during a telephone call. I can't be sure of what was said on the call, but having looked at everything I think Mr and Mrs J's version of events is most likely. And I think they took the policy out even though they didn't really want it. I'll explain why below.

The loan application form which Mr and Mrs J completed asked whether they wanted to take out PPI, and they ticked to say that they didn't want to. This is the clearest evidence I've seen about whether they wanted PPI.

Nationwide hasn't provided a recording of the PPI sales call, or a script to show what was meant to be discussed. So there's little to show how Nationwide made Mr and Mrs J aware that they had a choice, or how it gained their agreement to take out PPI. And I can see how, having already said they didn't want PPI when they completed their loan application, they might have felt they had to have PPI to get their loan when Nationwide called them.

After the sales call Mr and Mrs J were sent a credit agreement to sign. The agreement does describe the PPI as optional and shows that it is separate to the loan. But as I think it likely Mr and Mrs J were told on the telephone that they had to have PPI, I don't think this in itself is enough to show that they knew they had a real choice about it. And there was no opportunity for them to say they didn't want PPI on the agreement. I can see the information printed on the back of the agreement said the policy was optional. But if Mr and Mrs J thought they had to have PPI to get their loan, there's a good chance they wouldn't have read this – or thought to question it.

I don't think Mr and Mrs J would have bought the policy if it had been made clear they had a real choice about it. So I think they've lost out because of what Nationwide did wrong.

I've taken into account Nationwide's comments, including what it's said about other complaints we've looked into. But I still think I should uphold this particular complaint on the evidence I've seen.

fair compensation

Mr and Mrs J borrowed extra to pay for the PPI, so their loan was bigger than it should've been and they paid more than they should've each month. So they need to get back the extra they've paid. So, Nationwide should:

- Work out and pay Mr and Mrs J the difference between what they paid each month on the loan and what they would've paid each month without PPI.
- Add simple interest to the extra amount Mr and Mrs J paid each month from when they paid it until they get it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on[†].
- If Mr and Mrs J made a successful claim under the PPI policy, Nationwide can take off what they got for the claim from the amount it owes them.

[†] HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr and Mrs J a certificate showing how much tax it's taken off if they ask for one.

my final decision

For the reasons I've explained, I uphold Mr and Mrs J's complaint.

Nationwide Building Society should pay Mr and Mrs J compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs J to accept or reject my decision before 9 November 2015.

Kyley Vernon
ombudsman