

complaint

Mr D complains that ACF Car Finance Limited (ACF) mis-sold him a payment protection insurance (PPI) policy.

background

In 2008, Mr D took out a £6,007 (not including interest) loan over 49 months to buy a car. At the same time, ACF sold him a life only PPI policy. Mr D borrowed extra to pay for the PPI. It cost £930.72.26, which was added to the loan and attracted interest.

Our adjudicator upheld the complaint. She thought the insurance policy wasn't suitable for Mr D and ACF shouldn't have recommended it to him. ACF disagreed. It says that it explained the insurance to Mr D and he understood what he was buying. ACF also argued that the insurance was right for Mr D and provided him (and his next of kin) with valuable protection if he died.

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 Mr D's case.

I've decided to uphold Mr D's complaint.

ACF accepts that it recommended this policy to Mr D. So it had a responsibility to take steps to make sure that it was right for him. ACF has argued that it went through a robust sales process to make sure the policy was suitable for him. But, having looked at the information about the policy and Mr D's circumstances, I don't agree.

Mr D has told us that at the time the policy was sold he was 20 years old, living at home with his parents and had no dependants. So I think the fact the outstanding car loan would be deducted from his estate is unlikely to have been much of a concern to him, because he had no estate. In the unlikely event Mr D had died within the loan term, I don't think the fact that it would've been repaid would've been particularly attractive to him.

In summary, having looked at his circumstances at the time of sale, my view is that the policy wasn't right for Mr D. I don't think it's likely that Mr D would've thought having his loan paid off in the event of his death was important enough to have paid for life insurance.

As it was a recommended sale, it was for ACF to make sure it asked Mr D the right questions to check whether or not the policy was suitable for him. Having looked at all the evidence provided, I don't think ACF did enough to make sure it was suitable. I also think that it's unlikely Mr D would've wanted to buy the policy if he'd been properly advised about the ways in which it wasn't right for him.

As this finding is enough for me to uphold the complaint, I don't need to make a finding on any of the others points raised. I think Mr D lost out because of what ACF did wrong, and so I'm telling ACF to put things right as set out below

what the business should do to put things right

Mr D borrowed extra to pay for the PPI, so his loan was bigger than it should've been and he paid more than he should've each month. So Mr D needs to get back the extra he's paid.

So, ACF should:

- Work out and pay Mr D the difference between what he paid each month on the loan and what he would've paid each month without PPI.
- Add simple interest to the extra amount Mr D paid each month from when he paid it until he gets it back (the rate of interest is 15% a year until April 1993 and 8% a year from then on[†]).

If Mr D made a successful claim under the PPI policy, ACF can take off what he got for the claim from the amount it owes him.

HM Revenue & Customs requires ACF to take off tax from this interest. ACF must give Mr D a certificate showing how much tax they've taken off if he asks for one.

my final decision

For the reasons I've explained, I've decided to uphold Mr D's complaint and direct ACF Car Finance Limited to pay him compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr D to accept or reject my decision before 4 January 2016.

Clair Bantin
ombudsman