

complaint

Mr C says Blues and Twos Credit Union Limited (B&T) mis-sold him a payment protection insurance (PPI) policy on three loans.

background

Mr C took out a number of loans with B&T. The first time he was sold PPI was on a loan he applied for in June 2005 – but didn't start until July 2005. This loan consolidated a previous loan and brought his borrowing up to £10,000. Mr C consolidated this loan in November 2005 – taking another £10,000 and receiving around £911 after the July 2005 loan was paid-off. In September 2007 he consolidated his loan again, taking out another £10,000 loan – and receiving around £5,400 after the balance of the November 2005 loan was paid-off.

Each loan was set-up to run for 36 months. And on each occasion, Mr C was advised to take out a regular premium PPI policy that would pay his monthly loan repayments if he made a valid claim. For the first two loans, he was recommended to take out accident and sickness only. And on the final loan, it was recommended he take out accident, sickness and unemployment.

Mr C was unhappy with the sale of these policies so complained to B&T about them. B&T didn't agree – so Mr C referred his complaint to this service. One of our adjudicators considered Mr C's complaint and thought B&T hadn't acted fairly when selling all three policies. So she thought Mr C's complaint should be upheld. She said that she didn't think B&T's recommendations to Mr C to buy the policies were suitable based on Mr C's circumstances. And specifically because Mr C suffered from existing medical conditions when the policies were sold – the policies didn't cover existing medical conditions. Our adjudicator thought Mr C would've mentioned his medical conditions if asked about them. And she didn't think Mr C would've bought the policies if he knew his existing medical conditions wouldn't have been covered.

B&T didn't accept our adjudicator's assessment. They said that they didn't recommend the policies to Mr C. And also that he was given the policy statement and insurance booklet to read through before committing to the insurance. B&T also said the policy would cover any other conditions that would arise. Our adjudicator didn't agree and said she still thought the complaint should be upheld. As B&T don't agree with her, the complaint has been passed to me to decide.

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 C's case.

In response to our adjudicator's assessment, B&T said it didn't recommend the policies to Mr C. Yet in its business response forms that it sent to us for each sale, it says it did recommend the policies to Mr C.

I've looked at the information from the point of sale for each policy to decide whether it did recommend the policies. Each document is broadly the same – and they all include a

reference to “we recommend” and a tick box under the recommendation to say whether it was accepted or not. In each document there’s a tick to confirm Mr C accepted the recommendation. For the first two sales, this is for accident and sickness – and the last sale it’s for accident, sickness and unemployment. In each document, there’s also a section for when they didn’t give a recommendation – this isn’t ticked in any of the sales. So based on all of this I think B&T did provide Mr C with a recommendation in each sale. And so it should’ve made sure that the policies were right for him before it did so – but I don’t think it did.

Mr C had existing medical conditions when he bought the policy – which doesn’t appear to be in dispute. And I’m satisfied the policy doesn’t cover medical conditions that existed when the policy was taken out. The issue for me to determine is whether I think B&T’s recommendation was right for Mr C.

Mr C’s conditions are ones that the policy wouldn’t cover. So I think this is something B&T should’ve thought about when recommending the policies to Mr C. I don’t know all the questions they asked him – other than the ones on the recommendation form. None of these questions ask about pre-existing medical conditions. There is a declaration on the initial loan agreement which asks whether the applicant is in good health. But that’s a completely different question to whether they’re suffering from a pre-existing medical condition. And besides, that was the loan application – not the insurance recommendation form.

I think if he was asked Mr C would’ve told them about his existing conditions. So either B&T didn’t ask him – which I think is most likely – or they didn’t think about the medical conditions when recommending the policy. As the policy wouldn’t cover his existing conditions, I don’t think Mr C would’ve bought the policy if he’d been told that the policy might not be right for him because of this. This is because the things that he’d most likely need to claim for wouldn’t have been covered.

There are other reasons why the policy might not have been right for him – such as the fact he may not have had a need for it due to his guaranteed pension. But I think his medical conditions are enough to say the recommendations weren’t right for him. So I think B&T didn’t do enough when recommending the policies and they were mis-sold – so B&T should put things right.

putting things right

Mr C paid more each month than he should’ve done. So Mr C needs to get back the extra he’s paid.

So, B&T should:

- pay Mr C the amount he paid each month for the PPI on each loan
- add simple interest to each payment from when he paid it until he gets it back. The rate of interest is 8% a year[†]
- if Mr C made a successful claim under the PPI policies, B&T can take off what he got for the claim from the amount it owes him

[†] HM Revenue & Customs requires B&T to take off tax from this interest. B&T must give Mr C a certificate showing how much tax it’s taken off if he asks for one.

my final decision

For the reasons I've explained, I uphold Mr C's complaint. Blues and Twos Credit Union Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 13 February 2017.

Alexander MacDonald
ombudsman