

complaint

Miss E has complained about the sale to her in 2009 by Glasgow Credit Union Ltd (GCU) of a monthly-premium, payment protection insurance policy. The policy was sold to protect loan repayments if Miss E was unable to work because of accident or sickness.

background

In 2009 Miss E took out a loan with GCU. GCU advised her to take PPI to protect the loan payments and she did because she wanted the peace of mind it offered. GCU and Miss E disagree about what happened when Miss E made a claim on the policy in 2010. They also disagree about whether Miss E made other claims and whether any were declined.

Miss E says that her 2010 claim was declined because of a pre-existing medical condition. The policy didn't cover claims arising out of pre-existing medical conditions. Miss E says that the insurer agreed to make her a goodwill payment equivalent to one month's loan repayment but that she was actually off work several months. GCU say the claim was successful and that the full claim was for just one month. They dispute a number of other things that Miss E has said as I've explained above.

Our adjudicator thought the complaint should be upheld because she wasn't satisfied that GCU had advised Miss E that she wouldn't be covered for any claim that came from a pre-existing medical condition. She thought that, because of this, GCU's advice wasn't suitable.

GCU disagreed so the complaint has come to me for a decision. This is the last stage of our process.

Miss E has told us that she is going through difficult financial times and has entered into a protected trust deed (PTD) administered by Knightsbridge Insolvency Services Ltd (KIS). KIS have therefore been added as an interested party in this 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 have set out our general approach to complaints about PPI on our website and I have taken this into account when considering this complaint. Having done so, I have decided to uphold the complaint for the reasons I've given below.

I have seen the sales script GCU's salespeople were required to follow when selling PPI. And I've seen the demands and needs statement that GCU completed with Miss E. The demands and needs statement says that pre-existing medical conditions aren't covered by the policy. But I've not seen any evidence that salespeople were instructed to ask whether customers had any pre-existing medical conditions and, if so, to advise on how this affected the suitability of the policy for them.

Miss E has said that she did have pre-existing medical conditions and GCU haven't questioned this. Miss E says she wasn't asked about these or advised about how they would affect her cover. GCU say that Miss E would have been properly advised but, looking at their sales script and the demands and needs statement, I'm not satisfied that this is the case.

GCU advised Miss E to buy this policy and so I don't think it was enough simply to inform her, as they appear to have done in the demands and needs statement, that pre-existing medical conditions weren't covered. I think GCU needed to ask Miss E specifically if she had existing medical conditions and advise her of the implications of them being excluded from cover. This would have prompted Miss E to think about whether the policy would still give her enough peace of mind to be worthwhile. After all, it might have been precisely because of her conditions that she felt the need for protection in the first place. So I don't think GCU's advice was suitable.

As for the facts that GCU and Miss E disagree about, I don't need to make findings about these because they don't alter my finding that the advice wasn't suitable for Miss E. I say this because even if what GCU say is correct, the policy would still not have been suitable for Miss E because her existing medical conditions still wouldn't have been covered.

I therefore uphold this complaint.

what Glasgow Credit Union Ltd must do to put things right

GCU must put Miss E 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 GCU must:

- Work out the total amount Miss E paid for the PPI.
- Add simple interest to each payment from when she paid it until now. The rate of interest is 8% a year.[†]
- GCU can take off what Miss E got for the claim she made from the amount they owe.

Miss E is in a Protected Trust Deed. GCU may use the compensation to reduce Miss E's arrears. GCU must then pay anything left to Miss E. Under the terms of the Protected Trust Deed, Miss E might have to give her trustee some or all of the compensation she gets. She should contact her trustee to find out what she needs to do.

[†] HM Revenue & Customs require GCU to take off tax from this interest. GCU must give Miss E a certificate showing how much tax they've taken off if she asks for one.

my final decision

For the reasons I've explained, I uphold this complaint and I require Glasgow Credit Union Ltd to put things right for Miss E in the way I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 1 February 2016.

E J Mc Allister
ombudsman