

complaint

Mr and Mrs C complain that Blues and Twos Credit Union Limited mis-sold Mrs C five payment protection insurance (PPI) policies.

background

Mr and Mrs C complained to us about PPI policies sold with five personal loans taken out between 2005 and 2012.

Mrs C took out the following loans with Blues and Twos:

- Loan one ending 10378 in July 2005
- Loan two ending 10700 in December 2005
- Loan three ending 11787 in December 2006
- Loan four ending 12933 in April 2008
- Loan five ending 13328 in September 2008

The policies cost £4.14 per £100 of the monthly loan repayment and covered Mrs C if she was too sick to work.

Our adjudicator upheld Mr and Mrs C's complaint. Based on what Mr and Mrs C had told us about their circumstances she didn't think the policy was right for Mrs C's needs. And she didn't think Blues and Twos should've recommended the policy to Mrs C. Blues and Twos disagreed. So the complaint has come 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 and Mrs C's case.

I've decided to uphold Mr and Mrs C's complaint because I don't think the policies were right for Mrs C's circumstances. And I don't think Blues and Twos should've recommended the policies to her.

Blues and Twos have told us that Mr and Mrs C completed a loan application form for each of her loans. It says that on receipt of each loan application, it would've discussed details of the loan required with Mrs C either in person or over the telephone. And that during this discussion it says the reasons for the loan applications and ability to repay the loans were discussed.

Blues and Twos say that the offer of PPI would've normally been made towards the end of this discussion. A loan agreement would've then been generated together with a statement of demands and needs in line with the applicants wishes. Blues and Twos then sent all of the paperwork to Mr and Mrs C to sign.

Blues and Twos have given me copies of Mrs C's loan agreements, demands and needs statements, and loan applications for all five loans. I've referred to these when reaching my decision.

In its business response questionnaire to this service, Blues and Twos told us that it advised Mrs C to take out the policies. However, in its response to the adjudicator's view it said it didn't give advice to Mrs C and only gave Mr and Mrs C information. But Blues and Twos have also told us that its staff went through and asked its members (Mr and Mrs C) the questions listed on the demands and needs statement to ensure the PPI was suitable for them. And from looking at the paperwork I'm satisfied that these were advised sales.

This means Blues and Twos had a responsibility to take steps to make sure the policies were right for Mrs C's circumstances. Having looked at the information about the policies and Mrs C's circumstances, I don't think it was a suitable recommendation for her. I say this because I don't think Mrs C had a need for the insurance.

At the time of sale, Mrs C says she had up to six months' sick pay and could've relied on Mr C's pension of £300 per month to make her loan repayments. From looking at each of Mrs C's loan agreements and loan applications, I can also see that Mr C agreed to pay the monthly loan repayments and signed each loan agreement to confirm this. So Mrs C wasn't making the monthly loan repayments on these loans.

This means it wouldn't have mattered if Mrs C was too sick to work because the repayments would continue to be repaid by Mr C. I've also kept in mind that Mr C was making these payments from his pension, which was a guaranteed income. So when I weigh everything up, I don't think that Mrs C had a significant need for the insurance policies.

As these were advised sales, Blues and Twos should've considered whether Mrs C had other means of meeting her loan repayments. As I've said above, it's clear from the sales paperwork that Blues and Twos were aware Mr C was making the payments for Mrs C's loans. And in view of the other means Mrs C had available, I don't think that the recommendation made by Blues and Twos was suitable. Blues and Twos should've drawn this to Mrs C's attention, but I can't find any evidence that it did so.

I know the PPI would've paid a benefit on top of Mrs C's sick pay and other means. I also know the cost of the PPI was quite low. Even so, in Mrs C's circumstances, I don't think she had a strong need for the cover. And I don't think Mrs C would've bought the policy if Blues and Twos had properly advised her. This means she's worse off as a result of what Blues and Twos did wrong, so it needs to put things right.

what Blues and Twos should do to put things right

Blues and Twos should put Mrs C in the position she'd be in now if she hadn't taken out PPI. The policies should be cancelled, if they haven't been cancelled already, and Blues and Twos should:

- Pay Mrs C the amount she paid each month for the PPI
- Add simple interest to each payment from when she paid it until she gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on†.
- If Mrs C made a successful claim under the PPI policy, Blues and Twos can take off what she got for the claim from the amount it owes her.

† HM Revenue & Customs requires Blues and Twos to take off tax from this interest. Blues and Twos must give Mrs C 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 Mr and Mrs C's complaint and direct Blues and Twos Credit Union Limited to pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 28 December 2016.

Sharon Kerrison
ombudsman