

complaint

Mr H says Canada Square Operations Limited (trading as “Egg”) mis-sold him a payment protection insurance (“PPI”) policy.

background

In 2004, Mr H applied for an Egg credit card online. At the same time, it sold him a PPI policy to go with it.

One of our adjudicators ultimately thought the complaint should be upheld. Egg disagreed, so the case was passed to me to review afresh.

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. I’ve taken this into account in deciding Mr H’s case.

Having done so, I’ve decided to uphold this complaint. I’ll explain why.

From experience, I don’t think Egg advised Mr H about the policy. Although it should still have given him enough information so he could make an informed decision for himself as to whether to take it.

I’ve looked at the information Mr H was given, but I don’t think he was told everything he should have been about the main things the policy didn’t cover. I think that would have mattered to Mr H. I say that because he tells us that, at the time of sale, he was working as an apprentice in the construction industry. He says he was registered with the Construction Industry Scheme (“CIS”) and was responsible for his own tax affairs.

Two things follow from that. Firstly, Mr H’s work was temporary, irregular and wasn’t guaranteed from one week to the next. Secondly, his registration with the CIS meant he was self-employed.

Regarding the irregularity of Mr H’s work, the policy specifically excluded claims for unemployment if, at the date of unemployment, the insured’s in an occupation of which unemployment is a “*regular or recurrent feature*”. It also excluded unemployment from temporary work.

Regarding the self-employed, the policy terms require the insured’s business to “*have totally and permanently ceased to trade*” before claiming. That requirement’s much harder to meet than the requirements for someone who’s employed.

I don’t think Mr H would have taken the policy out had he known about the restrictions that would have affected him.

I’ve thought carefully about the arguments Egg’s raised but I still think I should uphold the complaint. For example, Egg says Mr H’s recollections of his work status haven’t been consistent or supported by written evidence. I understand it’s concerns, although I’ve taken into account the fact that the sale was made more than 12 years ago. I can see that makes it more difficult for someone in Mr H’s position to gather the information Egg would like to review.

Egg says Mr H told it, at the time of the sale, that he was employed. And that he would have had the option to say, for instance, that he was self-employed or was an temporary worker. That said, Mr H's work patterns were unusual. I can see how many people in Mr H's position might have struggled to recognise that they perhaps could have more accurately described their work situation.

putting things right

Egg should put Mr H in the financial position he'd be in now if he hadn't taken out PPI.

- A. Egg should find out how much Mr H would have owed when he closed his credit card account if the policy hadn't been added.

So, it should remove the PPI premiums added, as well as any interest charged on those premiums. It should also remove any charges that were caused by the mis-sale of the PPI – as well as any interest added to those charges.

Egg should then refund the difference between what Mr H owed when he closed his account and what he would have owed if he hadn't had PPI.

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

- B. Egg should add simple interest on the difference between what Mr H would have owed when he closed his account from when he closed it until he gets the refund. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]
- C. If – when Egg works out what Mr H would have owed each month without PPI – Mr H paid more than enough to clear his balance, Egg should also pay simple interest on the extra Mr H paid. And it should carry on paying interest until the point when Mr H would have owed Egg something on his credit card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]
- D. Egg should tell Mr H what it's done to work out A, B and C.

[†] HM Revenue & Customs requires Egg to take off tax from this interest. Egg must give Mr H a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons given, I've decided to uphold this complaint. I require Canada Square Operations Limited to put things right for Mr H as explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 23 September 2016.

Nimish Patel
ombudsman