

complaint

Mr P says NewDay Ltd (NewDay) mis-sold him a regular premium payment protection insurance (PPI) policy to cover his credit card repayments.

background

Mr P took out a credit card in 2001. At the same time he took out a PPI policy to cover his card repayments. The policy cost 75p per £100 of the balance on Mr P's credit card. A successful claim on the policy would've paid 10% of the outstanding balance on the card if Mr P was unable to work due to accident or sickness or lost his job for up to 12 months per claim.

Our adjudicator thought Mr P's complaint should be upheld because he didn't think the costs and benefits of the policy were made clear enough. He thought if they had been made clearer Mr P wouldn't have taken the policy because he already had enough cover in place.

NewDay disagrees. So the complaint has come to me for a decision.

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 P's complaint.

I've decided I'm going to uphold Mr P's complaint.

Mr P took out his credit card and PPI policy by completing a postal application form so I don't think NewDay advised Mr P to take the policy. So it wasn't under a duty to make sure the policy was suitable for Mr P's needs. But it did need to give Mr P information in a way that was clear, fair and not misleading so he could make an informed choice about buying it.

To make an informed choice at the very least Mr P needed to be given information on and understand the main costs and benefits of the policy. NewDay say that the policy document was sent following Mr P's credit card application.

I don't think providing information about the policy to Mr P *after* he has agreed to buy it is putting him in a position to make an informed decision on whether he wants to buy the policy. So to help me decide if the information given to Mr P was good enough at the *point of sale* I've looked at a sample credit card application NewDay have given us and say Mr P would've completed.

I can see from this that in the section headed "PROTECTING YOUR PAYMENTS" Mr P would've been given the option to select "Yes" or "No" to "Payment and Purchase Protection Insurance". But there's nothing that explains what exactly this is or what the benefit of the policy is.

So I don't think the information about the benefits of the policy were clear enough. And I can't say that the cost of the policy was clear enough either. The cost information is printed in small and says "at a cost of just 75p per £100 outstanding on my monthly statement".

Because there is no example of how the cost is worked out I think it would've been difficult for Mr P to understand what the policy was going to cost him.

At the time of sale Mr P says if he was unable to work due to accident or sickness he had a good level of work benefits that would cover him, as well as having savings he could rely on. From what I understand of the nature of his employer I think it's likely he did have this level of work benefits in place.

So I don't think Mr P would've taken the policy if NewDay had given all the information on the costs and benefits of the policy he needed to make an informed choice about buying the policy. I say this because I don't think he would've thought he needed it as he had enough cover already in place. And I don't think Mr P would've thought the benefit he got from the policy was worth the money.

As a consequence Mr P has lost out as a result of NewDay's failings in this case.

what NewDay should do to put things right

On the basis that Mr P's credit card account is still active NewDay should put Mr P in the financial position he'd be in now if he hadn't taken out PPI. The policy should be cancelled if it hasn't been cancelled already and:

- A. NewDay should find out how much Mr P would owe on his credit card if the policy hadn't been added to it.

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.

NewDay should then refund the difference between what Mr P owes and what he would have owed.

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

- B. If – when NewDay works out what Mr P would have owed each month without PPI – Mr P paid more than enough to clear his balance, NewDay should also pay simple interest on the extra Mr P paid. And it should carry on paying interest until the point when Mr P would've owed NewDay something on his credit card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]

- C. NewDay should tell Mr P what it's done to work out A and B.

[†] HM Revenue & Customs requires NewDay to take off tax from this interest. NewDay must give Mr P 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 P's complaint against NewDay Ltd and direct it pays the fair compensation outlined above.

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

Caroline Davies
ombudsman