

## **complaint**

Mrs L complains about a regular premium payment protection insurance (“PPI”) policy sold to her alongside a hire purchase arrangement to finance a car. The PPI was sold to her by C.E.M Day Ltd (“CEM”) in April 2008.

## **background**

Mrs L complained to CEM however they did not uphold Mrs L’s complaint. Upon her complaint to this service the adjudicator also did not uphold her complaint. Mrs L has now asked for an ombudsman to provide a final decision upon her complaint.

## **my findings**

I have considered all of the available evidence and arguments in order to decide what is fair and reasonable in the circumstances. I have also taken into account the law, relevant regulations and good industry practice at the time the policy was sold.

The questions I need to consider in this case are:

- whether CEM gave Mrs L information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the insurance she was buying;
- whether, in giving any advice or recommendation, CEM took adequate steps to ensure that the product it recommended was suitable for her needs.

If there were shortcomings in the way in which CEM sold the policy, I then need to consider whether Mrs L is worse off as a result; that is, would she have done something different – ie not taken out the policy – if there had been no shortcomings.

After careful consideration I have decided to not uphold Mrs L’s complaint. I explain my reasons below.

### *basis of sale?*

There is no dispute that this was an advised sale made at CEM’s place of business during a meeting between Mrs L and one of CEM’s representatives. CEM was therefore placed under a duty to ensure that the PPI it recommended was suitable for Mrs L’s needs at the time of sale, as well as ensuring that the information it provided to her was clear and fair.

### *did Mrs L have a choice to select the PPI policy?*

Mrs L says she felt pressured into purchasing the policy and she did not want it. CEM has not dealt with this aspect of Mrs L’s complaint. From what Mrs L has told me she was aware that the policy was a recommendation albeit in her words the advisor made it a strong recommendation. I can also see from the credit agreement produced from the sale that the PPI was not sold to her as a mandatory requirement to secure the car finance. The agreement clearly refers to “*optional*” payment protection insurance and Mrs L has ticked for a level of cover, as well as signing separately for the PPI.

I can see that there is a risk that some customers might be put under pressure (whether intentionally or not) to buy such policies – and I do not doubt that Mrs L's submissions represent her honest recollections of what took place. However, I cannot safely say on the limited evidence and testimony available that Mrs L was pressurised into purchasing the PPI. The documentation clearly makes the PPI optional and Mrs L appears to have understood that the representative was making a recommendation. Taken together I am satisfied that on balance Mrs L agreed to select the PPI understanding it to be optional.

*was the policy a suitable recommendation for Mrs L?*

Mrs L says that she had been employed in a full-time role for just over nine years at the time of taking out the PPI policy and that she was in good health. If she had been unable to work as a result of sickness or accident, she has told us that she would have been entitled to just statutory sick pay. Mrs L has also told us that she had no other way of meeting her monthly repayments on the finance, for example, through savings or other financial protection. The policy appears suitable for Mr L's circumstances as she was eligible for the cover and she would not have been affected by any of the terms and conditions which – for example - impact upon those who are self-employed or have pre-existing medical conditions. She could therefore expect to be entitled to the PPI benefits in the event of having to claim.

I have considered the ability of Mrs L to meet her monthly payments and from her circumstances at the time I am satisfied that the PPI was of benefit to her. I find that if Mrs L had been unable to work she may well have struggled to continue to meet the monthly repayments. The finance was a moderately large sum over a period of 61 months, the PPI in this sense would have covered her monthly loan repayment for accident, sickness and redundancy for a period of up to 12 months, as well as settling the loan in full in the unfortunate case of death or critical illness. The policy would have provided Mrs L some breathing space in the event of having to claim.

I am not persuaded that the cost of the policy made it inherently unsuitable for Mrs L as, in my experience, it provided a good level of cover at a reasonably competitive cost for the benefits it provided. I acknowledge too that Mrs L has stated in her complaint that she opted for the highest level of cover as the advisor recommended it as the "best". This suggests to me that if Mrs L was concerned about costs she could have selected the lower levels of cover available.

I am satisfied that the PPI was a suitable recommendation for Mrs L.

*did CEM provide clear information to Mrs L?*

Mrs L has also complained that she was not provided with clear information about the PPI policy and if she had been, she would not have agreed to take it out. The documentation from the sale is scant; however the credit agreement does separate the cost of the hire purchase arrangement and the PPI. The section on the credit agreement relating to the PPI costs is quite clear and separate from the hire purchase financial information. This section is entitled "*Optional Payment Protection (not financed by this agreement)*" and provides the cost breakdown for Mrs L. I can see that Mrs L is provided with: the monthly finance instalment cost for the hire purchase arrangement; the monthly payment protection premium and the total monthly payment due. I am satisfied that the costs of the PPI have been adequately explained.

I cannot be sure of what was said to Mrs L however, concerning the policy benefits and what she could expect from the PPI, or indeed any other significant features of the policy such as the limits on the benefits available. I have considered too that the credit agreement does not refer Mrs L to any such further documentation details either. As such I cannot safely say that CEM drew all of the significant features of the policy to Mrs L in a clear and fair way. But it doesn't automatically follow from this that I should uphold Mrs L's complaint. I need to be satisfied that Mrs L has lost out as a result – in other words, that she would have acted differently (and decided not to take out the policy) if CEM had clearly explained all of the policy's significant features.

I am satisfied for the reasons above that the PPI was a suitable recommendation. Even if the information was to be disclosed to Mrs L in a clear and fair way it would have simply revealed that she was eligible for the policy and that she would not have been caught by any of the significant exclusions or limitations under the policy (such as those relating to pre-existing medical conditions and unusual employment terms). The cover was competitively priced in the market place at the time and provided her with a good level of benefit. Essentially, I think Mrs L chose the cover and given that this policy provided broadly what I think she expected, I'm not persuaded she would have made a different decision (and decided against taking it out) if any of the features had been better explained.

For the reasons given, I am satisfied that as a result of information failings Mrs L would not have decided against taking out this policy if she was properly informed. I find that Mrs L has suffered no detriment as a result of this sale.

I do not uphold Mr L's complaint.

**my final decision**

For the above reasons, I do not uphold this complaint and I make no award against C.E.M. Day Ltd.

Daniel Lucas  
**ombudsman**