

complaint

Mr L complains that he was mis-sold two payment protection insurance (PPI) policies by Nationwide Building Society.

background

Mr L took out loans with Nationwide in April 1999 and October 2000. With both loans, Mr L was also sold a PPI policy. The cost of the PPI was added to Mr L's loan accounts.

Our adjudicator looked at this complaint and upheld it. Mr L said that he'd had a health condition since the 1980s. Our adjudicator thought it was unlikely that Mr L would have been able to make a claim related to this condition. And she didn't think Mr L would have bought the PPI if this had been clear to him.

Nationwide disagrees with our adjudicator, and has asked that the case be passed to an ombudsman for a final 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 L's case.

I've decided to uphold Mr L's complaint and have set out my reasons below.

I don't think Nationwide advised Mr L to buy the PPI policies. So it didn't need to look at whether or not the policies were suitable for him.

But for each policy, Nationwide had to give Mr L information that was clear, fair and not misleading so that he could make an informed choice about whether or not to buy it.

Mr L's PPI policies wouldn't have covered him for claims resulting from existing medical conditions that occurred again within 12 months of the policy starting.

Mr L has said that he's suffered from a health condition since the 1980s. It developed after he was injured at work, and he had to change his job as a result. He's said that the condition has got worse over time.

Nationwide has said that Mr L didn't mention his health condition when he first complained about PPI. I accept that. But, based on what he's said, I'm satisfied that Mr L was suffering from a medical condition at the time he bought the PPI policies.

And I think this means that a likely cause of Mr L claiming on the PPI policies wouldn't have been covered. This would make the PPI much less useful to Mr L. It was a significant exclusion which Nationwide should have told Mr L about in a clear way, so he could make a properly informed choice.

It's not clear how the first policy was sold to Mr L. The second policy was sold over the phone. Nationwide has provided a copy of its 2003 sales process. It says it's reasonable to think that similar processes would have been in place in 1999 and 2000. And Nationwide

says that information about the exclusion relating to existing medical conditions would therefore have been given to Mr L.

I've looked at what Nationwide has said. But, without any more evidence from the time, I can't be sure what sales processes would have been followed in 1999 and 2000. And so I can't be sure the exclusion about medical conditions was drawn clearly to Mr L's attention when the PPI policies were sold to him.

Nationwide has also said that, after his applications had been processed, Mr L would have been sent PPI policy documents and 'welcome booklets'. These would have given more information about the policies, including about the exclusion relating to medical conditions.

But the documents would have been sent to Mr L after he had agreed to buy the PPI policies. And they would also have been quite detailed.

Overall, I'm not satisfied that, at the point Mr L decided to buy the policies, Nationwide had drawn his attention to the exclusion about medical conditions. And I think it's most likely that if Nationwide had told Mr L about this significant limitation, he wouldn't have wanted to go ahead with the policies.

Nationwide has said that Mr L would have still been covered for sickness unrelated to his existing condition and for unemployment. But this doesn't change my conclusion. Mr L would in effect be paying the full price for the PPI but only benefitting from a reduced level of cover.

So I've decided to uphold the complaint about the sale of both PPI policies.

fair compensation

Mr L should be put back in the position he would have been in had the PPI policies not been sold.

Mr L borrowed extra to pay for the PPI, so his loans were bigger than they should have been. He paid more than he should have each month and it cost him more to repay the loans than it would have. So Mr L needs to get back the extra he paid.

So, Nationwide should:

- Work out and pay the difference between what Mr L paid each month on his loans and what he would have paid each month if PPI hadn't been added to that loan and carried over from his previous loan.
- Add simple interest to the extra amount Mr L paid from when he paid it until he gets it back. The rate of interest is 8% a year[†].
- If Mr L made a successful claim under either of the PPI policies, Nationwide can take off what he got from the amount it needs to pay on the same policy. But it can't take it off the amount it needs to pay on the other policy.
- Show Mr L how it worked this out.

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

my final decision

For the reasons given, my final decision is that I uphold Mr L's complaint and make an award against Nationwide Building Society as set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr L to accept or reject my decision before 5 November 2015.

Matthew Young
ombudsman