complaint

Mr M has complained that Barclays Bank Plc mis-sold a single premium payment protection insurance policy (PPI).

background

The background to the complaint was set out in my provisional decision dated 27 November 2015. A copy of this is attached and forms part of my final decision (so I will not repeat that information here). In my provisional decision I set out why I intended to uphold the complaint. I asked both parties to let me have their final submissions by 29 December 2015.

Mr M and his representative didn't make any more points. Barclays didn't agree with my provisional decision. It told us that following receipt of the loan funds, Mr M transferred £5,000 to a savings account. He also issued a cheque for approximately £2,000 and withdrew just under £7,000 in cash. It couldn't confirm the intended use of the funds. And there was no evidence to suggest he intended to redeem the loan before the end of the term.

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 M's case.

I've thought very carefully about what Barclays has said in response to my provisional decision. But this hasn't persuaded me to change my view of this case. I'll explain why.

I accept that Mr M appears to have transferred some of the money he borrowed into a savings account. But I don't think this in itself means that the monies wouldn't be needed at some point for everyday expenditure. I don't believe it's likely that Mr M would've borrowed money for the main purpose of putting it into a savings account. And Mr M also made a significant payment by cheque and a cash withdrawal for the majority of the funds he borrowed, which suggests the monies may well have been required for some financial commitments he had. So I don't think what Barclays has told us necessarily shows that the loan funds weren't required for financial commitments as Mr M has indicated. And other than the evidence Barclays has referred to, even though it advised Mr M to take out the loan; it hasn't been able to tell us what Mr M required the monies for. So I don't think what Barclays have said means that Mr M didn't need the monies for the reasons he has told us. Mr M paid off the loan early, which also suggests to me that he may well have a need for flexibility when taking out the loan.

Having thought about all of the information and arguments that I've been provided with, I still think that Mr M's complaint should be upheld, for the reasons set out above and in my provisional decision.

putting things right

It seems from what Barclays has told us that Mr M paid off his loan early. Mr M borrowed extra to pay for the PPI, so his loan was bigger than it should've been. He paid more than he should've each month and it cost him more to repay the loan than it would have. So Mr M needs to get back the extra he's paid.

So, Barclays should:

- Work out and pay Mr M the difference between what he paid each month on the loan and what he would've paid without PPI.

- Work out and pay Mr M the difference between what it cost to pay off the loan and what it would have cost to pay off the loan without PPI.

- Add simple interest to the extra amount Mr M paid from when he paid it until he gets it back. The rate of interest is 8% a year†.

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

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

my final decision

For the reasons I've given, I've decided to uphold Mr M's complaint about Barclays Bank Plc. It should compensate him using the methodology set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 February 2016.

Simon Dibble
ombudsman

provisional decision

complaint

Mr M has complained that Barclays Bank Plc mis-sold a single premium payment protection insurance policy (PPI).

background

Mr M was sold the policy with a loan in November 2001. The term of the loan was six years and three months. Barclays says it was taken out during a meeting. Our adjudicator upheld Mr M's complaint. This was because he thought Barclays hadn't made it clear to Mr M that he had a choice about whether or not he had to take out the policy.

Barclays didn't agree. It provided further arguments as to why it didn't think the PPI had been mis-sold.

my provisional 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 M's case.

As I've summarised above, when our adjudicator looked at this case he thought that Mr M's complaint should be upheld.

Since the case was first looked at, Barclays has given us documentation about its sales processes from the time Mr M's loan and PPI were sold. This has enabled us to have a better understanding of how it sold PPI with these types of loans. As a result of this new information I think it's likely that Barclays would've made Mr M aware that he had a choice about whether or not he had to take out the PPI.

But I'm currently minded to decide that Mr M's complaint should still be upheld, but for different reasons to those given by our adjudicator. I will explain why.

Barclays advised Mr M to take out the PPI. It needed therefore to make sure that the policy was suitable for him.

It doesn't look like Mr M would've got back the amount of premium refund he might expect if he paid off or cancelled the loan early. This is because the policy didn't provide a proportionate refund of the insurance premium if it was cancelled before the end of the loan term.

Mr M has said that he took the loan to cover everyday spending and I have no reason to doubt what he's said. So, I think it's possible that as Mr M had to borrow money for this purpose and given the term of the loan; he may well have needed to either refinance or repay the loan. It seems to me that Barclays should've discussed this possibility with Mr M and thought about this when it recommended the insurance to him. And looking at everything I've been given, I'm not satisfied that it did.

If Barclays had explained to Mr M that the policy might not be suitable for him if he wanted to pay off the loan early; I don't think he would've taken it out.

putting things right

It seems from what Barclays has told us that Mr M paid off his loan early. Mr M borrowed extra to pay for the PPI, so his loan was bigger than it should've been. He paid more than he should've each

month and it cost him more to repay the loan than it would've. So Mr M needs to get back the extra he's paid.

So, Barclays should:

- Work out and pay Mr M the difference between what he paid each month on the loan and what he would've paid without PPI.
- Work out and pay Mr M the difference between what it cost to pay off the loan and what it would have cost to pay off the loan without PPI.

– Add simple interest to the extra amount Mr M paid from when he paid it until he gets it back. The rate of interest is 8% a year†.

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

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

my provisional decision

I currently think that Mr M's complaint should be upheld and that Barclays should compensate him using the methodology set out above.

Simon Dibble
ombudsman