

complaint

Mrs M complains that Everyday Loans Limited mis-sold payment protection insurance (PPI) to her, with two loans.

background

I attach my provisional decision of 2 December 2015, which forms part of this final decision.

In that provisional decision, I set out the background and circumstances of this complaint. I explained why I was intending to uphold it for the PPI sold with the 2011 loan, but not for the PPI Mrs M had bought with her loan in 2010.

I asked Mrs M and Everyday Loans to send me any more information or comments they wanted me to consider, before I issued my final decision.

Everyday Loans has said it agrees with my provisional decision, and intends to make a payment to Mrs M for the 2011 sale, in line with that decision. Mrs M hasn't commented on the decision, by the date I'd set.

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 Mrs M's case.

I've not been sent any new information to consider. I've reached the same conclusions as in my provisional decision, for the same reasons. And I think it's fair and reasonable to uphold this complaint for the 2011 sale of PPI, but not the 2010 sale.

putting things right

Everyday Loans should put Mrs M in the position she'd be in now if she hadn't taken out PPI with the 2011 loan.

The policy sold in 2011 should be cancelled, if it hasn't ended already. Everyday Loans has told us it has already repaid to Mrs M the cost of that policy, but as far as I know it hasn't paid her any interest. So Everyday Loans Limited is to work out and repay the extra amounts Mrs M paid because she bought PPI with the loan, by:

- calculating how much the contractual loan payments on the 2011 loan would have been if Mrs M had taken out that loan without the PPI being sold alongside it
- subtracting those amounts from what Mrs M actually paid in repayment of that loan and the PPI, and paying her the difference (if and in so far as not already done)
- adding simple interest to each payment from when she paid it until she got, or gets, it back. The rate of interest is 8% a year†.

If Mrs M made a successful claim under that PPI policy, Everyday Loans can take off what she got for the claim from the amount it owes her.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Mrs M a certificate showing how much tax it's taken off, if she asks for one.

Everyday Loans doesn't have to do anything about the 2010 sale.

my final decision

For the reasons I've explained, I've decided to uphold this complaint for the 2011 sale of PPI, but not the sale in 2010.

Everyday Loans Limited is to pay Mrs M the compensation I've described above.

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

Chris Langford
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mrs M complains that Everyday Loans Limited mis-sold payment protection insurance (PPI) to her, with two loans.

background

Mrs M took out personal loans through Everyday Loans in 2010 and 2011. The second loan was partly used to pay off the balance of the first.

Each time, she also bought a monthly premium PPI policy, to cover her loan repayments if she was off work sick, or lost her job. They gave her life cover too.

She's complained about how the PPI was sold to her. And our adjudicator thought the complaint should be upheld, for both sales. In her view, Everyday Loans hadn't been clear enough either time in explaining how the costs of the PPI were worked out. And she felt that if it had made the costs clearer, Mrs M probably wouldn't have taken out either PPI policy.

But Everyday Loans hasn't agreed with that, so the case has been passed to me to decide.

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 Mrs M's case.

I'm currently proposing to uphold Mrs M's complaint about the second (2011) sale of PPI. But not for the first (2010) sale. I'll explain why.

the 2010 sale

Mrs M has said she thinks the PPI was sold to her over the phone. But Everyday Loans thinks it was sold face to face, in one of its branches, after her loan had been approved by phone first. It says that was its usual procedure. So I think that's likely to be right.

But I haven't been given a detailed note of the discussion in the branch. So I have to decide what's likely to have happened and been said, based on the documents we've been given, and what Mrs M and Everyday Loans have been able to tell us about the sales process.

was Mrs M given a fair choice?

I've looked at the documents I've been given from the sale, to see whether Everyday Loans made it clear enough to Mrs M that she was free to choose whether to have the PPI.

In particular, I've read the loan agreement that Mrs M signed. This includes a section dealing with PPI. It says that the PPI 'is optional'. There are also separate boxes for ticking whether she did or didn't wish to buy PPI. I see that the box for wanting it was ticked.

And the statement of price, which Everyday Loans says Mrs M was given before buying the PPI, says PPI 'is optional and is not a condition of your loan'.

I don't know what Everyday Loans told Mrs M in the meeting. It says its sales advisers would always tell customers that PPI is optional. It's possible that this time the adviser didn't follow the normal sales process.

But I've seen nothing which clearly shows me that Everyday Loans did or said anything to make Mrs M think she had to have PPI, in order to get the loan. Or which shows that Everyday Loans put her under unfair pressure to agree to have it. And if Everyday Loans is right that that her loan had already been approved by phone, before the meeting when PPI was discussed, it would in my view make it even clearer that they were separate.

So taking into account what Everyday Loans has told us about its procedures at that time, and the documents I've seen, I think Everyday Loans did enough to make it clear to Mrs M that whether to have PPI was her own decision. And that she then chose to buy it.

did Everyday Loans give Mrs M good enough advice and information?

Mrs M and Everyday Loans are agreed that Everyday Loans recommended the PPI to her. This means Everyday Loans had to take steps to find out about her circumstances and needs, and check it would be suitable for her. In my view, it did that well enough.

I say that because, based on what I know about her situation when she bought the PPI, and looking at the terms of the policy, I think Mrs M was probably eligible for it. The benefits available under the policy were worth much more than it cost. And I don't think any of the main things it didn't cover would've put her off buying it.

Mrs M has told us she'd only have got statutory sick pay if she'd been off work unwell. As far as I'm aware, she wouldn't have got a big redundancy payment if she'd lost her job. And she's said she didn't have any savings, insurance or other means of meeting the loan repayments if she couldn't work, or lost her job (although she says it's possible her family might've been able to help).

The PPI benefits would've been on top of any sick pay or redundancy payment she got, leaving these available for other day to day expenses. And looking at the 'needs analysis form' she signed at the time of the sale, it seems she told Everyday Loans she'd struggle financially if she was off work sick or lost her job.

So I think the policy that Everyday Loans advised her to buy was suitable for her needs. But Everyday Loans still had to give Mrs M clear and fair information about the cost and main features of the PPI, so she could decide whether to buy it.

I don't know what was said about the cost of the PPI by Everyday Loans' adviser. So I've looked at what the documents show Mrs M was told in writing about this. I see that the statement of price set out the estimated total cost of the policy. It also gave her a figure for the average monthly cost, as did the loan agreement she signed.

Like our adjudicator, I think Everyday Loans could've made the information about the cost clearer for Mrs M. In particular, it could've explained that the way the PPI was paid for, being linked to her loan balance, meant it cost more at the start than towards the end of the loan period. So she'd pay more interest on her overall loan. And she'd be left with a bigger unpaid balance if she repaid it early.

But the extra interest wasn't a large amount of money (around £3 a month). I've not been told anything that suggests she couldn't afford the PPI. Mrs M had expressed her interest in having it, by signing the agreement with the PPI box ticked. And I've seen nothing to show me that at this stage she had in mind repaying the loan early.

So I think it's unlikely that getting slightly better information about its cost would've changed her mind.

I've looked too at what Everyday Loans explained about the main features of the PPI. In my view the documents, particularly the 'needs analysis form' that Mrs M signed, suggest there was a discussion about her circumstances and about the different sorts of insurance available, including PPI.

I say that because the notes on the form say the adviser recommended some other insurance to Mrs M, as well as PPI. And that Mrs M chose to take out personal accident cover (which isn't part of this complaint), but not the recommended separate life insurance.

I think it's likely the adviser gave Mrs M some details of the benefits and key features of the PPI, asked her questions, and advised her about what might best meet her needs. And that she then decided to have PPI cover for accident and sickness, unemployment and life.

The form also says Mrs M told the adviser she didn't have benefits from her job, and would like PPI cover for accident and sickness so she could concentrate on getting better, rather than struggling to keep up her payments. And that she wanted redundancy cover so she'd be able to focus on finding a new job, rather than worrying about her repayments.

The 'customer review document' that Everyday Loans has sent us says that the cost, benefits, exclusions and key facts of the PPI had been explained to her. Everyday Loans says too that as part of its sales process it'll have given her written details of the policy. But I don't know whether Everyday Loans did that, and if so when – or whether she read them before she bought the PPI.

So based just on what I've seen and been told, it's possible Everyday Loans could've made some of the information about the cost and terms of the PPI clearer. But even if she'd been given better information, I don't think it would've made any difference to her decision. In view of what I've been told about her financial situation, in particular that she had only very limited sick pay and no significant savings, I think Mrs M would probably still have chosen to buy the PPI. It could've been useful for her and given her some peace of mind.

So from the information I've got, it wouldn't in my view be fair and reasonable to uphold Mrs M's complaint about this first sale. I don't think Mrs M is worse off as a result of anything Everyday Loans did wrong. Which means there's nothing it needs to do to put things right.

the 2011 sale

Mrs M took out a second loan, in 2011. Everyday Loans has told us that part of it was used to pay off the rest of the first loan. She bought PPI with that loan too, and our adjudicator felt this PPI had been mis-sold. Based on what I've read and been told, I agree.

From the information I've got, I think that – as with the 2010 loan – the PPI was probably sold in a face to face meeting, and that Everyday Loans advised Mrs M to buy it. And as far as I know, Mrs M's financial position was largely unchanged from 2010.

For the same reasons I've set out earlier, when dealing with the first loan, in my view Everyday Loans didn't explain the cost of the PPI as clearly as it should've done. So I don't think it was made clear enough to Mrs M that, because of the way the PPI was paid for, she'd pay more interest on her loan and would have a larger balance if she repaid it early.

But this time the extra interest Mrs M would've paid was a larger sum – more than £5 a month, and well over £200 in total. And if Mrs M paid off the loan before the end of its term, her outstanding balance would be much higher than without the PPI - by well over £300. As this loan was being used to pay off the first one early, in my view there was a good chance she might want to do that again.

So for this second sale, I think it's likely that Everyday Loans' failings made a difference. I think these sums would've mattered to Mrs M. And that she probably wouldn't have bought the PPI with this loan, if she'd been given better information about its cost.

Mrs M has also told us about difficulties she says she had when she tried to make a claim under this PPI policy. But my decision is only about the *sales* of PPI to her. As our adjudicator has already explained, if she wants to complain about any other matters, that'd have to be dealt with separately.

putting things right

Everyday Loans should put Mrs M in the position she'd be in now if she hadn't taken out PPI with the second loan. The policy sold in 2011 should be cancelled, if it hasn't been cancelled already. Everyday Loans has told us it has already repaid to Mrs M the cost of that policy, but as far as I know it hasn't paid her any interest. So I plan to tell Everyday Loans Limited to work out and repay the extra amounts Mrs M paid because she bought PPI with the loan, by

- calculating how much the contractual loan payments on the second (2011) loan would've been if Mrs M had taken out that loan without the PPI being sold alongside it

- subtracting those amounts from what Mrs M actually paid in repayment of that loan and the PPI, and paying her the difference (if and in so far as not already done)

- adding simple interest to each payment from when she paid it until she got, or gets, it back. The rate of interest is 8% a year†.

- If Mrs M made a successful claim under that PPI policy, Everyday Loans can take off what she got for the claim from the amount it owes her.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Mrs M a certificate showing how much tax it's taken off, if she asks for one.

my provisional decision

For the reasons I've explained, I'm intending to uphold Mrs M's complaint for the 2011 sale of PPI, but not the 2010 sale.

I'm proposing to tell Everyday Loans Limited to pay the compensation I've set out above, for the 2011 sale. But it won't have to do anything about the PPI she bought in 2010.

I invite Mrs M and Everyday Loans to give me any more information or comments they want me to consider, before I make my final decision. These should be sent to us by the date I've indicated.

Chris Langford
ombudsman