

complaint

Miss Q has complained that she was mis-sold three loan payment protection insurance (PPI) policies by Leeds City Credit Union Limited ("LCCU").

background

Miss Q bought the PPI policies when she took out loans in January 2006, July 2008 and September 2009. Miss Q said she couldn't remember much about the PPI sales. LCCU said that the first two sales took place online and the third using a paper application. It also said that it didn't advise Miss Q to take out the policies. Miss Q told us that she had a pre-existing medical condition when she took out the policies. She said that she knew this wouldn't have been covered, but she didn't know that related conditions wouldn't have been covered either.

All of the policies provided accident, sickness and unemployment cover. If Miss Q had made a successful claim, each policy would have covered the loan repayments for up to 24 months per claim for accident and sickness, and 12 months for unemployment.

Our adjudicator thought that, for the 2006 and 2008 sales, LCCU had given Miss Q enough information about the policies to decide whether they were right for her. So she didn't uphold Miss Q's complaint about these policies. However, our adjudicator thought that, in the 2009 sale, Miss Q *wasn't* given enough information. She upheld the complaint about this policy because she thought Miss Q wouldn't have taken it out if she'd had full information.

my findings

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I think the relevant issues to take into account are the same as those set out in the information on our website about our approach to PPI complaints.

Having looked at all of the evidence I agree with our adjudicator. So I've decided to uphold part of Miss Q's complaint – that is, her complaint about the sale in 2009. But I've decided not to uphold the part of Miss Q's complaint that relates to the 2006 and 2008 sales.

Miss Q's complaint is mainly about one issue, and this is related to her health problems. She told us that she had previously had cancer. She said that she knew that the policies wouldn't have covered this, but she didn't know that 'associated symptoms or related conditions' wouldn't be covered. From what Miss Q said this was clearly of concern to her. Miss Q also said that she wasn't given any details of the cover when she bought the policies.

LCCU gave us copies of the loan applications, loan agreements and several policy documents. From these I'm satisfied that LCCU didn't advise Miss Q to take out any of the policies. So it didn't have to make sure they were suitable for her. But it did have to give her enough information for her to decide whether the policies were right for her. LCCU also said that the policy details were sent out with the loan agreements, and it gave us copies of its computer records to show this.

the 2006 and 2008 sales

Miss Q's loan applications in 2006 and 2008 were both made online. From the information I have, it looks as though the information about the policy not covering pre-existing medical conditions was highlighted to Miss Q. And she said that she was aware of it. I've looked at the policy documents that LCCU sent in. LCCU and Miss Q disagree about what information was given to Miss Q. But the policy documents don't say anything about excluding related conditions or associated symptoms. So there's no evidence that Miss Q wouldn't have been covered for these.

Miss Q said that she would have had sick pay from her employer of six months' full pay, and six months' half pay. But I think that Miss Q could have found it difficult to meet the monthly loan repayments once her sick pay reduced or when it stopped. And the policy could have paid out for up to 24 months – or 12 months if she lost her job.

For the 2006 and 2008 sales, it's not clear that LCCU did anything wrong, but even if it didn't explain all of the policy details, I think Miss Q would still have bought the policies. She knew what wouldn't be covered in relation to her health problems, and still chose to take them out. Apart from this, they could have provided valuable protection if she'd been unable to work. This means Miss Q is not worse off. So there's nothing LCCU needs to do to put things right for these sales.

the 2009 sale

LCCU said that Miss Q applied for her loan in 2009 using a paper application form that she dropped into LCCU. As with the online applications, the form showed the information about the policy not covering pre-existing medical conditions, although the details were in quite small print. But again Miss Q said she was aware of this exclusion.

However, in this case, the policy had changed slightly from the previous sales, in that it also didn't cover related conditions and associated symptoms. This wasn't particularly prominent, and I can't see that Miss Q would have known about it when she bought the policy. The information on the application form didn't say this. Miss Q was clearly concerned about other health problems that might occur as a result of having had cancer. So in this particular case I don't think Miss Q would have bought the policy if she'd fully understood this extra limitation in the cover. This means Miss Q is worse off as a result of what LCCU did wrong in this sale, so it should put things right.

fair compensation

The appropriate approach to fair compensation in this case is to require LCCU to put Miss Q in the position she would have been in now had she taken out the loan in 2009 without the PPI policy.

So LCCU should refund all PPI premiums paid by Miss Q for the policy she took out in 2009, together with interest at 8% per year simple[†] on each premium from the date of payment to the date compensation is paid.

[†] HM Revenue & Customs requires LCCU to deduct tax from this interest. LCCU must give Miss Q a certificate showing how much tax they've taken off if she asks for one.

my final decision

For the reasons I've explained, I've decided to uphold Miss Q's complaint about the PPI sale in 2009, but not her complaint about the PPI sales in 2006 and 2008.

Leeds City Credit Union Limited must pay her the compensation I've described.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss Q to accept or reject my decision before 6 January 2015.

Jan Ferrari
ombudsman