complaint

Mr and Mrs D say that Capital One Homeowner Loans Limited (COHL) mis-sold a payment protection insurance (PPI) policy to them, with a loan.

background

In 2006, Mr and Mrs D took out a joint loan through COHL. They also bought a monthly premium PPI policy, in Mr D's name only. It was to cover the loan repayments if he couldn't work because of injury or illness, or if he lost his job. And it would've paid off the balance of the loan if he'd died.

Mr and Mrs D have complained about how the PPI was sold to them. In particular, they say they weren't given enough information about it. And they feel that if they had been, they wouldn't have taken it out.

Our adjudicator thought their complaint should be upheld. In his view, COHL hadn't made the cost of the policy clear to Mr and Mrs D. But COHL doesn't agree, so it's been passed to me to decide.

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 and Mrs D's case.

I've decided to uphold this complaint. I'll explain why.

Mr and Mrs D and COHL are agreed that the policy was sold by phone. But I've not been given any notes or recording of that call, or been referred to any script that COHL's adviser may've used. So I don't know what was said.

But I've seen Mr and Mrs D's application form for the loan, and the loan agreement they later signed. And I've had to decide what's most likely to have happened, based on reading these and on what Mr and Mrs D and COHL have been able to tell us about the sale.

From what I've read and been told, I think COHL probably advised Mr and Mrs D to take out the PPI. But whether or not it recommended the policy, COHL had to give them clear and fair information about its cost and main features, so they could decide whether or not to buy it.

COHL thinks Mr and Mrs D were given good enough information about the PPI. But they've complained that they weren't.

I don't know what - if anything - was said about the cost of the PPI during the phone call. COHL hasn't given us any details of what its adviser was supposed to tell Mr and Mrs D about this. It's possible the cost was fully explained to them. But I've not seen anything to show me that. So I've looked too at what they were told in writing about the cost.

The loan application doesn't mention the cost of the PPI. The loan agreement they later signed does, but I don't think it makes it clear enough.

In that agreement, the amount of the monthly repayments for the loan itself is shown near the top of the first page. The last paragraph, at the bottom of the same page, says the PPI will cost 13.5% of the repayments. It also sets out what the total monthly payment for the loan and PPI premium together will be.

But it doesn't tell Mr and Mrs D how much the monthly payments for the PPI would be. And I don't think it's reasonable to have expected Mr and Mrs D to work that out for themselves, by subtracting one figure from the other - particularly as they're widely separated, in a densely written agreement which isn't easy to read.

This information about the PPI is at the foot of the page, well below where Mr and Mrs D signed. It's not with the main financial information towards the top of the page, where they might've expected it to be. And anyway, I think they'd already agreed to buy it by then, on the earlier phone call.

COHL has sent us a blank example of a 'demands and needs statement'. It thinks Mr and Mrs D will've had a completed version of this, including a statement of price telling them the cost of the PPI. But I don't know whether they saw one, and if so when – or what it said.

In my view, Mr and Mrs D should've been clearly told the actual amount they'd have to pay for the PPI, before they agreed to buy it. And I've not seen anything to show that they were.

So based on what I've read and been told, I don't think the information they were given was clear and fair. Which meant they weren't in a position to take an informed decision about whether to buy the PPI.

From what I've been told about their situation, I think it's unlikely they would've bought the PPI, if they'd understood its cost. As far as I know, Mr D would've been eligible for it, and it might've proved useful. And I've thought about that. But on balance I think that, looking at its cost and benefits, Mr and Mrs D probably wouldn't have felt it was good value for them.

So I think they would've gone ahead with the loan, but without the PPI. And in my view, it's fair and reasonable to uphold their complaint.

putting things right

COHL should put Mr and Mrs D in the position they'd be in now if they hadn't taken out PPI. The policy should be cancelled, if it hasn't ended already, and COHL should:

- Pay Mr and Mrs D the amount they paid each month for the PPI.
- Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 8% a year†.
- If Mr and Mrs D made a successful claim under the PPI policy, COHL can take off what they got for the claim from the amount it owes them.

† HM Revenue & Customs requires COHL to take off tax from this interest. COHL must give Mr and Mrs D a certificate showing how much tax it's taken off, if they ask for one.

my final decision

For the reasons I've explained, I'm upholding Mr and Mrs D's complaint.

Capital One Homeowner Loans Limited is to pay Mr and Mrs D the compensation I've described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 11 April 2016.

Chris Langford
ombudsman