

complaint

Mr M says that Santander UK Plc (Santander), trading as Alliance and Leicester, mis-sold him payment protection insurance (PPI) when he took out a personal loan.

background

Mr M applied for a personal loan in 2008. At the same time he was sold a single premium PPI which was a life insurance policy. In the unfortunate event of Mr M dying it would've paid off the outstanding balance of his loan.

Mr M's main concern was that he was pressured into buying the policy. He says that he was made to believe PPI was a condition of getting his loan approved. Santander says that Mr M chose to buy PPI and that it was suitable for him.

Our adjudicator upheld Mr M's complaint. Santander didn't agree so the case has been passed on to me 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 this case.

I'm upholding Mr M's complaint.

Mr M and Santander agree that the sale of PPI happened over the phone. Santander has confirmed that it gave Mr M advice about the policy. This means it needed to make sure that the policy was suitable for him.

Santander has given us a recording of the phone call between its adviser and Mr M. It has also given us copies of important documents from the time of the sale. These include a copy of the loan agreement and the policy documents.

I've listened to the discussion between the adviser and Mr M. I think that Santander made it clear to Mr M that the policy was optional. It also made it clear that there wasn't a connection between the sale of the policy and the approval of his application for a loan. But I think that there are problems with the information that Mr M received about the cost of the loan.

At the point when Mr M agreed to buy PPI the only information that he'd been given about the cost of the policy was the monthly repayments on his loan with and without cover. And it was only later in the conversation that he was told that the policy would be paid for by a single premium payment which attracted interest.

At no stage in the conversation was Mr M informed about the total cost of the PPI with and without interest. I acknowledge that some of this information was provided later in the credit agreement that was sent to Mr M to sign and return. But at this point it had been included as part of the loan offer and I don't think Santander can rely on this part of the process to put right what should've happened earlier.

Although Santander's approach to this sale of PPI was generally good, I think there was a crucial weakness in the way it set out the costs of the policy to Mr M. If it had given Mr M the right information at the right time then on balance I think it's more likely than not that if Mr M had understood better the total cost of the policy and the interest he would be paying that he'd have decided not to buy it given the limited cover it was providing.

So Mr M has lost out as a result of what Santander got wrong.

putting things right

Mr M borrowed extra to pay for the PPI so his loan was bigger than it should've been and he paid more than he should've each month. So Mr M needs to get back the extra he's paid.

So, Santander should:

- Work out and pay Mr M the difference between what he paid each month on the loan and what he would've paid each month without PPI.
- Add simple interest to the extra amount Mr M paid each month 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, Santander can take off what he got for the claim from the amount it owes him.

[†] HM Revenue & Customs requires Santander to take off tax from this interest. Santander 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 explained, I've decided to uphold Mr M's complaint. Santander UK plc should pay Mr M compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 February 2016.

Kevin Williamson
ombudsman