

summary of complaint

This complaint concerns a monthly premium payment protection insurance (“PPI”) policy, sold as part of a credit card application in June 2001. Mr J says that MBNA Limited (“MBNA”) mis-sold the policy.

my findings

In deciding what is fair and reasonable in the individual circumstances of this case, I have considered the issues in accordance with our general approach to considering complaints about the mis-sale of PPI, which is well-documented. This includes taking into account the law and good industry practice at the time the policy was sold. In essence, the questions I need to consider are:

- whether MBNA gave Mr J information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying;
- whether, in giving any advice or recommendation, MBNA took adequate steps to ensure that the product it recommended was suitable for Mr J’s needs.

If there were shortcomings in the way in which MBNA sold the policy, I then need to consider whether Mr J is worse off as a result; that is, would he have done something different – ie not taken out the policy – if there had been no shortcomings.

MBNA says Mr J applied for a credit card when completing a paper application (a copy of which it has provided) and at the same time took out a regular premium PPI policy. Mr J does not recall how he came to take out the policy. Based on the submissions of the parties, I am satisfied that MBNA did not provide advice or give Mr J a recommendation to take out the policy. It did not, therefore, need to ensure the policy was suitable. Nevertheless, it did have to provide sufficiently clear information to have allowed Mr J to make an informed decision. I will turn to this next.

As explained above, it seems most likely that Mr J applied for the credit card and PPI cover by completing an application and returning it through the post. Having reviewed the application, it does appear that Mr J was presented with an option to accept or decline PPI. Although the cost of the policy is disclosed on the application, the level of benefit or the terms and conditions restricting when the benefit might be paid are not. These are important features of the policy.

MBNA says that this information would have been disclosed in the policy summary that would have been available to Mr J with the application. However, I have seen no evidence that Mr J was provided with this document or informed that it was important to read it before proceeding with his application. So I have concerns about how the policy was explained to him.

I have considered whether this would have mattered to Mr J. Did he need better information about the policy’s limitations or its level of benefit?

It does not appear from Mr J’s circumstances that he would have been caught by any of the special conditions, which limited the policy’s cover for some people (for example, the self-employed or those with pre-existing medical conditions). It seems Mr J could have benefited

from the full extent of the cover, so I think it unlikely he needed better information about its exclusions and limitations.

I accept that Mr J might not have understood what the description of the cost (68 pence per £100 of the statement balance) might have meant for him in real terms. The policy was competitive in the market and it does appear to have been affordable for someone in his circumstances. So (keeping in mind that I am satisfied Mr J wanted cover and was prepared to pay *something* for it), I find it unlikely that a better explanation of the cost would have put him off taking out the policy.

It is far less certain whether Mr J would still have been willing to pay for the policy if it had been pointed out that the benefit (3% of the outstanding balance for accident and sickness or unemployment claims) would barely cover the minimum repayment each month. For many people, the credit card's minimum repayment would be a small liability when considered against their overall financial position. Those in a stable financial position might be able to meet such a small liability, for a time, even without their main income – so they might think this policy offered little value for its cost.

However, it seems to me that Mr J's financial position was such that if he had stopped working he would have struggled almost immediately to meet even his minimum credit card repayments. He was only entitled to statutory sick pay should he be unable to work due to sickness. He did not have significant savings or other apparent means with which to meet his repayments if he had to stop working unexpectedly. And, his credit card application indicates that he had an outstanding balance on another credit card.

Put simply, from what I can tell of Mr J's circumstances at the time, he had little 'breathing space' at all to cope if he had been unable to work. In light of his precarious situation – and given that the cost of the policy was relatively low (compared to others in the market) – I cannot safely conclude Mr J would have decided against the policy if the 3% benefit had been made clearer. Essentially, I think it plausible the policy provided Mr J with a safety net, even at this low level of benefit, which in his circumstances he might have considered useful.

So, while it is possible that some of the information about the policy might not have been clear to Mr J before he made his decision to take it out, I am not persuaded he would have acted differently (and chosen not to take out the policy) if he had been provided with better information.

It follows that I am not persuaded this policy was mis-sold.

my final decision

For the reasons described above I do not uphold this complaint or make any award against MBNA Limited.

Daniel Little
ombudsman