

complaint

Mr A complains that he was mis-sold a payment protection policy (PPI) in connection with a credit card with The Royal Bank of Scotland Plc (RBS).

background

Mr A took out a credit card with RBS in January 2004. PPI was added at the same time.

The PPI was paid by a regular premium of 77p per £100.00 of the monthly outstanding balance. The benefit of the PPI was 10% of the outstanding monthly balance on his credit card. The benefit would be paid for 12 months for accident, sickness and unemployment.

Our adjudicator upheld this complaint. RBS disagree with the view and the matter has been passed to me to make a final decision.

my findings

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

We have 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 A's case.

Mr A complains that he didn't know he had a choice in taking the PPI because he thought it was compulsory and not separate to the credit card. He says it was automatically added to the card. I have carefully considered this.

There is some confusion about how the card was applied for. RBS has indicated that this was probably a paper application. Where Mr A would have completed the application and returned it in the post. RBS has been unable to provide a copy of the application. In the absence of different information, I agree that it was probably a paper application. RBS has provided a sample document.

Section 4 of the application relates to PPI. It says "*PLEASE NOTE: Your monthly payments will not be protected unless you take payment protection cover*". Underneath it says "*YES: please protect my payments now*". I note that there is no separate box to be ticked to select the cover and there are also no instructions to tick anything. In contrast, underneath the PPI section in Section 4 it deals with Card Registration Cover, there are boxes to tick to select cover and instructions to tick the box. Further, Mr A would not need to have signed separately for this cover.

I acknowledge the comments made by RBS in relation to the application form but from my review of the form, I cannot see that a separate box is there or that the customer is required to tick to select anything. Based on my review of this application form and in the absence of evidence to the contrary, I do not think this application shows that Mr A would have separately selected the cover, in fact if Mr A did nothing, the implication is that the cover would still be added. Because of this, I don't think Mr A had any real choice in taking the cover and it follows that he will have lost out as a result.

what the business should do to put things right

RBS should put Mr A in the financial position he'd be in now if he hadn't taken out PPI.

- A. RBS should find out how much Mr A would have owed when he closed his credit card account if the policy hadn't been added.

So, it should remove the PPI premiums added, as well as any interest charged on those premiums. It should also remove any charges that were caused by the mis-sale of the PPI – as well as any interest added to those charges.

RBS should then refund the difference between what Mr A owed when he closed his account and what he would have owed if he hadn't had PPI.

If Mr A made a successful claim under the PPI policy, RBS can take off what he got for the claim from the amount it owes him.

- B. RBS should add simple interest on the difference between what Mr A would have owed when he closed his account – until he gets the refund. The interest rate should be 15% a year until April 1993 and 8% a year from then on.†
- C. If – when RBS works out what Mr A would have owed each month without PPI – Mr A paid more than enough to clear his balance, RBS should also pay simple interest on the extra Mr A paid. And it should carry on paying interest until the point when Mr A would've owed RBS something on his credit card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.†
- D. RBS should tell Mr A what it's done to work out A, B and C.

† HM Revenue & Customs requires RBS to take off tax from this interest. RBS must give Mr A a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons I have set out above, I am upholding this complaint against The Royal Bank of Scotland Plc.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr A to accept or reject my decision before 19 March 2015.

Miranda Bates
ombudsman