

complaint

This complaint concerns the sale of a payment protection insurance (PPI) policy taken out in 1999 in conjunction with a credit card. Mr W says that The Royal Bank of Scotland Plc, ("RBS") mis-sold the policy.

background

An adjudicator at this service has considered Mr W's complaint and recommended it should not be upheld. Mr W does not agree with this assessment and it falls to me to review the case and make a final decision on the matter.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. In doing so I have taken into account the law and good industry practice at the time the policy was sold.

The key questions I need to consider are whether RBS gave Mr W 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; and if RBS gave advice or made a recommendation, whether it took adequate steps to ensure the policy being recommended to Mr W was suitable for his needs.

If there were any problems in the way the policy was sold, I will consider whether Mr W is worse off as a result; that is, would he have done anything differently, such as not taken out the policy.

Both parties agree that the policy was sold to Mr W when he completed a postal application for a credit card. Having carefully considered all the arguments and evidence, I have decided not to uphold Mr W's complaint. I set out my reasons below.

did Mr W consent to the policy and was he aware it was optional?

Mr W has told us that PPI was added automatically to his account, without his consent, when he applied for a credit card. Given this took place around 15 years ago, it is not surprising that Mr W may not remember the details of how he completed the application for his credit card and PPI. Having reviewed a copy of Mr W's signed credit card application and taking the evidence as a whole, I am satisfied that he consented to PPI being added to his account and it is likely that he was aware he had a choice in doing so. I say this because:

- Mr W's signed and dated credit card application form appears to have been completed by hand. Mr W applied for the policy by ticking a box on the form to indicate he wanted to take out PPI. The printed statement next to the tick box reads "*Payment Protection Insurance is designed to protect your Royal Bank of Scotland Card payments in the event of death, accident, sickness or involuntary unemployment (including redundancy). We strongly recommend you take out this cover. For cover just tick this box.*" I think Mr W would have been aware from this wording that he had a choice in whether to opt for PPI or not.
- There is nothing on the form which I think would have suggested to Mr W that the policy was compulsory. It seems from the form that Mr W also opted to take out the Card Registration policy; he added an additional card holder and he opted to make a transfer balance from another credit card. This suggests to me that he was actively considering

the choices he made in relation to his credit card account, and it is likely he was aware that these choices, including PPI, were optional.

- RBS says Mr W should have received a certificate of insurance and policy documents following his application, but even if he did not receive these documents, I note that the policy premiums appeared on his monthly credit card statements. If the policy had been added to his account without his consent, I think it is likely that Mr W would have queried either the policy documents or the PPI premiums on his statements with RBS. It does not seem that he did so.

were Mr W's information needs met?

There is no evidence to suggest that Mr W spoke to anyone at RBS when he completed his postal application for his credit card and PPI. So I think it is most likely that the PPI was sold on a 'non-advised' basis. This means that it was for Mr W to decide for himself whether the policy was suitable for his needs, taking into account his existing benefits and insurances, but for RBS to provide information about the insurance that was sufficiently clear to enable him to make a properly informed choice about the policy he was buying.

RBS says Mr W should have been sent a policy summary leaflet with his credit card application form. However, I cannot be certain what information Mr W actually received at the time the policy was sold to him and I do not know whether the key features of the cover were made clear to him. Mr W has told us the cover was not properly explained and he was not given enough information about the cost of the policy. The policy documents may not have been sufficient to bring all the relevant information to his attention. In any event, I note this was sent to him after he had made his decision to take out PPI.

It seems to me that RBS might not have fully met Mr W's information needs if, for example, it was not made clear to him that the monthly premium attracted interest and that he might have to continue paying the monthly premium during a claim. This would effectively reduce the net value of the actual benefit payable under the policy. This should have been made clear to Mr W at the point the policy was sold and I can't be certain that RBS did so.

However, it seems to me that Mr W would not have acted any differently, had he been provided with any clearer information about the policy. I say this because:

- Mr W was eligible for the cover and it seems that he would not have been significantly affected by the main exclusions and limitations of the policy. It appears he would have been able to benefit from the full range of cover provided.
- Mr W has told us that he had no significant savings with which to cover his credit card payments if he was unable to work. He also says he was entitled to some sick pay from his employer. Whilst I accept this would have been helpful, the policy would potentially pay benefit for up to 12 months which was a considerably longer time (and in addition to) the period when he could rely on receiving *full* sick pay. The policy also offered unemployment cover.
- Mr W has told us he already had critical illness cover and life cover from other providers. I don't know the extent to which the PPI duplicated these policies or whether it filled a gap in his cover. In any event, as this was a 'non-advised' sale it was Mr W's responsibility to consider whether the policy was suitable for his needs, taking into account his existing benefits and his insurance policies.

- Mr W has complained that the policy was too expensive. The cost of the policy was initially around 72p per £100 of the outstanding balance on the card. I think is relatively competitive in the market at that time. This does not appear to have been unaffordable or unacceptable to Mr W at the time.
- The policy benefit paid around 10% of the outstanding balance on Mr W's card each month in the event of a successful claim. Even though this figure might actually be somewhat less if the monthly premium remained payable during a claim, it still went further than making the minimum repayment and would most likely significantly reduce the balance on his card if he made a claim for a reasonably sustained period.
- The policy could be cancelled on notice, which gave Mr W flexibility if he decided it was too expensive, or he no longer needed the policy or his circumstances changed.

Even taking into account Mr W's entitlements as an employee, I think it is likely that someone in his position might have considered the policy provided some valuable cover, in addition to his existing benefits.

As Mr W appears to have had some need for the cover, I think it is unlikely that clearer information about the policy's cost, key features and limitations would have led him to decline the cover, for the reasons I set out above.

my final decision

Having carefully considered all the evidence and arguments I do not uphold Mr W's complaint and I make no award against The Royal Bank of Scotland Plc.

Sharon Parr
ombudsman