

complaint

Mr R says Glasgow Credit Union Ltd (GCU) mis-sold him payment protection insurance (PPI).

background

GCU sold Mr R four PPI policies:

- policy one – sold with loan one (ending '015) in May 2005
- policy two – sold with loan two (ending '444) in September 2005
- policy three – sold with loan three (ending '511) in November 2005
- policy four – sold with loan four (ending '638) in January/February 2006

Policies one, two and three protected repayments for the related loan if Mr R couldn't work because of accident and sickness or unemployment. Policy four only covered him if he couldn't work because of accident and sickness. All four policies were paid for monthly and were linked. Part of each loan was used to pay off the previous one.

Our adjudicator didn't think the complaint should be upheld. Mr R disagreed, so the matter was referred to me to consider. I came to a different conclusion than our adjudicator, so I issued a provisional decision in August 2017. My thinking was as follows:

"Mr R says GCU sold him the policies in meetings. GCU says the loans and policies were sold over the phone, with paperwork then being sent out to Mr R to complete and return. I've seen copies of GCU's records and the sales documents Mr R signed. From these I think the sales were over the phone with documents sent out for signature afterwards.

policies one, two and three

For each sale GCU had to make it clear to Mr R that he had a choice whether to buy PPI. And he had to agree to it. Mr R says he didn't want PPI. GCU says it would only have been added following a discussion with Mr R during the phone call. But GCU hasn't got a recording of the phone call. And it can't provide a copy of the call script it was supposed to follow. It has provided me with screenshots of its sales process. But these are dated 2009, so I can't be confident the same process was used in 2005. This means I don't know how GCU presented PPI to Mr R during the sales calls.

GCU says it used software that didn't allow the insurance script to be bypassed – all of the questions had to be fully answered. But it's only referred me to 2009 screenshots. It also says that, as a credit union, it operates differently to banks in that its staff weren't paid incentives to sell the insurance. But there's little to support what happened in these sales. So there's nothing to show me that Mr R opted to buy these three policies knowing he had a choice.

GCU says Mr R accepted each policy by signing the "Demands and Needs Statement" (DNS) and the credit agreement. The DNS does say his personal circumstances were discussed, what protection GCU recommended, and that Mr R agreed to accept their recommendation.

On the face of it, this could indicate that PPI was optional. And so by signing Mr R agreed to go ahead with it. But just above where Mr R signed was the statement "FAILURE TO

COMPLETE AND RETURN THIS DOCUMENT WILL RESULT IN A DELAY TO YOUR LOAN ALLOCATION". And this was much more prominent than the earlier wording. So I think Mr R would've thought he would've lost out if he didn't return the form as instructed. There was also nowhere on the form for Mr R to sign to say he didn't want PPI, but still wanted the loan.

Mr R's loan agreement also mentioned the PPI. But it doesn't mention that it was optional or give the chance to agree to the loan without PPI. And all these documents were sent out after the sale had taken place over the phone.

So I don't think the information I've seen shows that GCU made sure Mr R knew policies one, two and three were optional. Or that he agreed to buy them knowing this.

policy four

Again GCU had to make it clear to Mr R that he had a choice whether to buy PPI. And he had to agree to it. The information for policy four is the same as for the other three. But in this case the DNS that he signed shows that GCU recommended PPI protecting him for accident, sickness and unemployment. But he only agreed to buy cover for accident and sickness. As this was sent out after the sales call, I think it shows there was a discussion about PPI on the phone. So in relation to policy four, I think Mr R understood he had a choice about PPI. And he agreed to buy the more limited accident and sickness only policy.

Both parties agree GCU recommended the policy to Mr R. This means it had to make sure it suited his needs. I think the policy was suitable because:

- Mr R was eligible for the policy.*
- He doesn't appear to have been affected by its main restrictions or exclusions. For example, he was in permanent employment and good health.*
- Mr R says he didn't need the policy. He says he was entitled to six months' full and six months' half pay if he was off sick. And also had £5,000 savings. But the policy would've paid his loan for up to two years if he'd been too sick to work. So it offered protection in addition to and beyond his other means.*
- The policy was paid for monthly. So if Mr R had decided he no longer wanted it, he could've cancelled it at any time without losing out.*

GCU also had to give Mr R enough information about the policy to decide for himself if he wanted it. And this had to be clear, fair and not misleading. I can't say what GCU said to him on the phone or how well things were explained. But I don't think better information would've made him decide not to buy the policy. This is because it offered protection he didn't otherwise have, and he wasn't affected by the main restrictions and exclusions.

So I don't think GCU mis-sold policy four to Mr R."

Mr R and GCU have seen the provisional decision and responded. GCU hasn't provided any further comments or information. Mr R has sent me a document relating to accounts he held with GCU in 2000-2002.

my findings

I've reconsidered 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. Having taken this into account, I've decided to uphold in part Mr R's complaint. I'll now explain why.

The information Mr R sent me doesn't relate to any of the four accounts I'm considering. And it isn't relevant to the time of sale for policies one, two, three or four. So it hasn't changed my thinking.

Since neither party has provided any new information or comments that changes my mind, I've reached the same conclusions as in my provisional decision and for the same reasons.

putting things right

GCU should put Mr R in the position he'd be in now if he hadn't taken out policies one, two and three. The policies should be cancelled, if they haven't been already, and GCU should:

- Pay Mr R the amount he paid each month for the PPI.
- Add simple interest to each payment from when he paid it until he gets it back. The rate of interest is 8% a year[†].
- If Mr R made a successful claim under the policy, GCU can take off what he got for the claim from the amount it owes him for the policy he claimed under.

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

my final decision

My final decision is to uphold Mr R's complaint in part and require Glasgow Credit Union Ltd to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 26 October 2017.

Mike Foster
ombudsman