

complaint

Miss G complains that Creation Financial Services Limited (Creation) mis-sold a payment protection insurance (PPI) policy to her.

background

In 2007 Miss G took out a loan to pay for electrical goods. At the same time Creation sold her a PPI policy. This was added to the loan and repaid over the loan term.

Our adjudicator upheld Miss G's complaint, because she didn't think Creation had made clear how much the policy would cost. Creation disagreed. It said the paperwork it gave Miss G when she bought the policy would have made her aware of the cost.

my findings

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

I think the relevant issues to take into account are the same as those set out in the information on our website about our approach to PPI complaints.

I've decided to uphold Miss G's complaint because I agree with the adjudicator that Creation didn't properly tell Miss G how much the policy cost. I say this because:

- The credit agreement set out the PPI premium and the total cost. But it didn't show the PPI interest as a separate figure. And it wasn't reasonable to expect Miss G to work it out for herself. She was entitled to expect all the important information about the cost of the policy to be in the loan agreement.
- The statement of price did set out the interest. But it seems to have been on page two of a document setting out information about the policy. It wasn't easy to find, or where Miss G would expect it to be. I can't be sure it was drawn to her attention, particularly when she was in a shop and her attention was on buying electrical goods – not on buying insurance. Miss G says (and I accept) that the policy was not discussed.
- None of the paperwork set out the monthly cost of the policy. This would have been good practice and might have helped Miss G better understand what it was costing her.
- I don't think Miss G would have bought the policy if she'd been made properly aware of how much it was going to cost her, compared to the modest amount she was borrowing.

For these reasons, I uphold Miss G's complaint.

fair compensation

Miss G should be put back in the position she would now be in if she'd taken out the loan without the PPI. I understand the loan and the policy ran for their full term.

Creation should now therefore:

- A. Work out and repay the extra monthly payments paid by Miss G because PPI was added

to the loan by:

- calculating how much the loan payments would have been if Miss G had taken out the loan without PPI;
- subtracting those amounts from what Miss G actually paid, and paying her the difference; and
- paying Miss G simple interest on each of these amounts at 8% a year from the date each payment was made to the date the compensation is paid[†].

B. Write to Miss G setting out the details of the calculations and amounts under (A).

[†] I understand Creation is required to deduct basic rate tax from this part of the compensation. Whether Miss G needs to take any further action will depend on her financial circumstances. More information about the tax position can be found on our website.

Miss G should refer back to Creation if she's unsure of the approach it has taken. And Miss G and Creation should contact HM Revenue & Customs if they want to know more about the tax treatment of this part of the compensation.

my final decision

I uphold Miss G's complaint. Creation Financial Services Limited must pay her the compensation I've described above.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss G to accept or reject my decision before 9 December 2014.

Paul Bishop
ombudsman