

complaint

Miss D complains that London Mutual Credit Union Limited (LMCU) mis-sold her a payment protection insurance (PPI) policy to cover the monthly payments due under a secured loan in the event she suffered an accident, sickness or unemployment. Specifically, Miss D complains that she was led to believe that, in the event of a claim, the policy would make an unlimited number of payments, whilst she remained eligible to claim, until the loan was fully repaid.

background

Miss D signed the loan agreement in January 2007. She subsequently became unemployed due to ill health and made a successful claim under the PPI policy. The policy terms allowed for 12 monthly benefit payments to be made in the event of unemployment and 24 payments in the event Miss D suffered an accident or sickness.

After Miss D's claim payments had stopped, she complained to LMCU that it had led her to believe that the policy would cover the entire term of the loan in the event of a claim.

LMCU rejected Miss D's complaint saying that it had provided her with the necessary information for her to make an informed choice, and that she had signed the loan application form to confirm that she wished to purchase it.

Dissatisfied with this outcome, Miss D referred the matter to this service. The adjudicator who investigated the complaint felt unable to recommend that it be upheld.

He explained that the normal approach to redress in relation to mis-sale complaints was a refund of the PPI premiums paid, plus 8% interest, but with the amount of any successful claims deducted. In this case, as Miss D had received more in claims payments than she had ever paid in premiums, she would not be due anything back.

In addition, the adjudicator considered whether LMCU had created a reasonable expectation that any claim would pay out until the loan had been paid off. However, his view was that no such expectation had been created. Rather he considered that Miss D should reasonably have been aware of the policy restrictions with regards to the benefit payment periods from the literature that Miss D had indicated that she had read and understood when she completed the loan agreement.

Miss D appealed against the adjudicator's findings saying she had never received any documentation from LMCU relating to PPI. The complaint has therefore been passed to me to review and to issue my determination.

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 account of the law, relevant rules and regulations, and good industry practice.

There are two elements to Miss D's complaint: firstly that she was mis-sold the policy, and secondly that she was led to believe that the loan would be cleared if she made a claim.

Miss D says that she was mis-sold the PPI policy because it was presented to her as something that she had to have in order to get the loan agreed and that it was unsuitable for her needs. She says that the salesperson was pushy and that she wasn't provided with sufficient information about the policy.

I don't think that I need to make a finding on this issue. That's because, even if I were to uphold the mis-sale part of the complaint, Miss D would not be due any compensation (as explained above and also by the adjudicator).

I will now consider whether LMCU created a reasonable expectation that the outstanding loan would be settled in the event of a claim and therefore whether it should honour Miss D's understanding of the policy terms by writing off the outstanding loan balance.

Miss D says that when she asked the salesperson what PPI was for, she was told that in the event of accident, sickness or unemployment, it would 'cover the loan'. Her understanding of this was that the policy would continue to cover the repayments until the loan was fully paid off, if necessary. She says that she was shocked to discover that the policy only paid out for a maximum of 12 months. Miss D further says that she would not have taken out the PPI if she had been aware that the cover was limited to a period of 12 months.

In fact, the policy provided a benefit of 12 months for unemployment claims, but 24 months for accident and sickness. As the monthly repayments were £208.65 and Miss D received a total of £3663.90 as a result of her claim, it appears that she did in fact receive more than 12 months benefit.

It is not possible for me to know how the salesperson presented the PPI to Miss D. So I've looked at all of the available evidence to try and determine whether Miss D was, more likely than not, led to believe that the policy would continue to pay out until the loan had been paid off.

On the loan application form, there is a cross in the relevant box to confirm that PPI is required. The statement next to it reads: "*I confirm that **I WOULD LIKE** to take out payment protection insurance and that I have read and understood the statement of demands and needs, status disclosure, policy summary, and policy booklet & to pay a premium of **£15.43 per month**.*" Miss D has signed and dated the application form.

On balance, I think it is likely that Miss D was provided with some documentation in relation to PPI. The documentation explained the limitations to the claim periods.

I have given serious consideration to Miss D's testimony that she was told a claim could continue until the loan was paid off and I do not doubt that this is her honest interpretation of what she was told.

However, looking at the evidence of the sale overall, I am not persuaded that, even if LMCU's did verbally mis-inform Miss D, it did so to such an extent that it set up a reasonable expectation that the loan could be paid off in full in the event of a claim.

Miss D says that she wouldn't have taken out the policy at all if she had been aware of the terms and conditions. It seems to me however that she would still have taken out the loan, probably without seeking any alternative cover. As she was able to benefit from a successful claim to the value of £3,663.90, Miss D is in a better position now than she would have been in had she declined the cover.

It follows that I do not uphold Miss D's complaint.

If Miss D is unsure if the insurer, a separate company to LMCU, has paid the correct benefit to her, she should speak to that business direct. I say this because it appears she has been paid around 17 months benefit. As discussed above, the maximum payable for unemployment claims is 12 months and 24 months for disability (sickness) claims.

my final decision

For the reasons set out above, my final decision is that I do not uphold this complaint and make no award against London Mutual Credit Union Limited.

Carole Clark
ombudsman