

complaint

Mrs W complained that Creation Financial Services Limited (“Creation”) mis-sold her a Payment Protection Insurance (“PPI”) policy.

background

In 2006, Mrs W took out a store card and around the same time Creation sold her a PPI policy. The policy cost £1.50 for each £100 Mrs W owed on her store card. It provided life, accident, sickness and unemployment cover. And it also provided price protection and purchase protection cover.

Our adjudicator thought that Mrs W’s complaint should be upheld because Creation hadn’t made the cost and benefits of the policy clear enough to Mrs W. And given Mrs W’s circumstances, she wouldn’t have taken the policy if she’d had clearer information. Creation disagreed and asked for an ombudsman to review the complaint.

my findings

I’ve considered 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 and I’ve taken this into account in deciding this complaint.

I’ve decided to uphold Mrs W’s complaint.

I don’t think that Creation made the cost and benefits of the policy clear enough to Mrs W. And given her circumstances, I don’t think that Mrs W would have taken PPI if she’d had clearer and better information - about the cost and benefits.

I don’t think that Creation advised Mrs W to take out the PPI. That means it didn’t have to make sure the policy was suitable for her. But it did have to give her clear, fair and not misleading information about the main features of the policy (including the cost and benefits) so that she could make an informed decision about taking it.

Creation has given us a recording of its sales call with Mrs W. During the call, the adviser told Mrs W that the policy would cost her “*one and half pence in the pound of your outstanding monthly balance.*” But it didn’t explain that the PPI cost (or premiums) would attract interest and that the actual amount she’d pay could be more than this. So I’m not satisfied that Creation gave her enough information to understand, in a meaningful way, what the PPI would cost.

The adviser explained the monthly benefit as ‘*your minimum monthly repayments on your card*’. But Mrs W wasn’t told that she would have had to continue paying the PPI premium if she made a claim and that this meant that the benefit would be lower in real terms. I also don’t think it would have been clear to Mrs W that the ‘*minimum monthly payment*’ was just 4% of her monthly outstanding balance.

So, from the information Creation gave her, I don’t think Mrs W would have known how much the policy would cost her each month or what the benefits were.

Creation has also said that Mrs W would have been aware of the cost of the policy from her monthly statements and that she was sent policy documents which made the cost and benefits clear. But this information was sent to her *after* she took out the policy. So, Mrs W wasn't able to weigh up what she was getting for her money or whether the policy was worthwhile before she bought it.

At the time of sale, Mrs W had worked for over twenty years in her job with a City Council. She told us that she had good sick pay which she could have relied on if she had been off work sick. Given her circumstances and employee benefits, I think that if Mrs W had had clearer cost and benefit information she wouldn't have considered that the policy offered good value for her.

I've also thought about the price protection and purchase protection cover which the policy provided. But I haven't seen anything in Mrs W's circumstances to make me think that her need for this cover was such that it would have motivated her to take out this policy.

So I've decided to uphold Mrs W's complaint.

what Creation should do to put things right

Creation should put Mrs W in the financial position she'd be in now if she hadn't taken out PPI.

- A. Creation should find out how much Mrs W would have owed when she closed her store 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.

Creation should then refund the difference between what Mrs W owed when she closed her account and what she would have owed if she hadn't had PPI.

If Mrs W made a successful claim under the PPI policy, Creation can take off what she got for the claim from the amount it owes her.

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

† HM Revenue & Customs requires Creation to take off tax from this interest. Creation must give Mrs W a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons above, I uphold this complaint and require Creation Financial Services Limited to pay Mrs W compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 8 March 2016.

Avril O'Meara
ombudsman