

## **complaint**

Mr G says Barclays Bank UK PLC ("Barclays") mis-sold him a payment protection insurance ("PPI") policy.

## **background and summary to complaint**

Mr G bought the policy in 1998 at the same time as taking out a credit card. He applied for the credit card and PPI policy through the post.

At the time, Mr G was employed as a gas engineer. He has told us he was entitled to at least three months full sick pay and death in service cover through his employer. He also said he could've relied on his parents to help him repay his credit card should he be unable to work. Mr G has said he was in good health at the time of the sale but did experience some medical problems sometime after the sale.

The policy provided cover for life, accident, sickness, and unemployment – subject to its exclusions and limitations. It offered to repay 10% of Mr G's credit card balance in the event of a successful claim. At the time, it cost around 70p per £100 of the monthly outstanding balance. The premium would continue to have to be paid during a successful claim and it did attract interest.

Barclays has sent us screenshots to show that the credit card account closed in 2002.

Mr G's representative has made lengthy and substantial representations on his behalf.

I will not restate them all here, but I have read and considered them all carefully. In summary, Mr G's representative says:

- Barclays failed to meet the sales standards which applied at the time. In those circumstances, applying the regulator's rules and guidance for businesses on handling PPI complaints under DISP App 3, it should be presumed Mr G wouldn't have taken out the policy and the complaint should be upheld. Mr G's representatives believe there to be no evidence to rebut that presumption;
- The policy excluded or limited claims for back pain and stress, which are some of the most common reasons people are off work. This significantly reduced the value of cover;
- The true costs including interest and the fact it was unlikely you could make a successful claim meant the policy was of inherently poor value as shown by the low claims ratio. The common law duty of utmost good faith means Barclays should have told Mr G about the poor value;
- The common law duty of utmost good faith also means Barclays should have explained the significance of the exclusions and limitations of cover to Mr G and the impact they would have had on his chances of making a claim; and
- The information Mr G received was misleading. These policies were promoted as providing peace of mind, but the number of exclusions and limitations on the scope of the cover meant this was untrue.

Our adjudicator didn't uphold the complaint – both parties have seen and provided their responses to the adjudicator's opinion. Mr G disagreed with the adjudicator's opinion for several reasons.

As the complaint couldn't be resolved informally, it has been passed to me for a final decision.

### **my findings**

Although I have only included a summary of the complaint, I have read and considered all the evidence and arguments available to me from the outset, in order to decide what is, in my opinion, fair and reasonable in all the circumstances of this complaint.

### **relevant considerations**

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations; relevant regulators' rules, guidance and standards; relevant codes of practice; and, where appropriate, what I consider to have been good industry practice at the time. The Financial Ombudsman Service has set out its general approach to PPI complaints on our website and published some example final decisions that set out in detail how these relevant considerations may apply to PPI sales like Mr G's. I don't intend to set that out in much detail here but I've taken this into account in deciding Mr G's complaint.

This sale took place in 1998 before the General Insurance Standards Council (GISC) published its code of practice in June 2000 and before the sale of general insurance products like this became regulated in January 2005. So, the GISC Code, the FSA's (and FCA's) overarching Principles for Businesses and insurance conduct rules (ICOB and ICOBs) aren't applicable to this complaint, nor is the FCA's Perimeter Guidance (PERG).

The credit agreement itself concluded in 2002. That means the unfair relationship provisions set out in s.140A of the Consumer Credit Act, the Supreme Court judgment in *Plevin* about s.140 of that Act and the rules and guidance made by the FCA about the handling of complaints about the non-disclosure of commission in light of the *Plevin* judgment, aren't applicable.

There were a number of industry codes in existence at that time, which I'm satisfied are applicable to my consideration of what is fair and reasonable in the circumstances of this complaint. In particular, *The Association of British Insurers' General Insurance Business Code of Practice for all intermediaries (Including Employees of Insurance Companies) other than Registered Insurance Brokers – 'The ABI Code'*.

The ABI Code was supplemented by:

- Guidance on the application of the ABI Code
- The ABI Statement of Practice for Payment Protection Insurance
- The ABI General Business Code of Practice for Telephone Sales, Direct Marketing/Direct Mail and the Internet
- The Resume for Intermediaries

I consider these publications to be indicative of the standards of good practice expected of intermediaries like Barclays at the time. So I'm satisfied I should take the ABI code and

these other publications into account when deciding, what is in my opinion, fair and reasonable in the circumstances of Mr G's case.

I have also taken account of relevant law in reaching my decision, including: the law relating to negligence, misrepresentation and contract (including the express and implied duty on professional advisers to give advice with reasonable skill, care and diligence); the law relating to the duty of utmost good faith; and the law relating to causation and remoteness.

Under the transitional provisions which continue to apply to complaints like this about acts or omissions before 1 December 2001, I'm also required to take into account what determination the relevant former scheme – in this case the Office of the Banking Ombudsman – might have been expected to reach in relation to an equivalent complaint. I note that under the Banking Ombudsman's terms of reference the Ombudsman was required to decide complaints by reference to what was, in his opinion, fair and reasonable in all the circumstances – and that the Ombudsman was required to observe any applicable rule of law or relevant judicial authority.

I'm also mindful of the evidential provisions and guidance set out at DISP App 3, first issued by the FSA in 2010, which sets out how firms should handle complaints relating to the sale of PPI. This sale took place before insurance mediation became a regulated activity, so Barclays was required to take into account the provisions in DISP App 3 as if they were guidance when considering Mr G's complaint.

### ***key questions***

Taking the relevant considerations into account, it seems to me that the key questions I need to consider in deciding what is in my opinion fair and reasonable in all the circumstances of this complaint, are:

- If Barclays gave advice, whether it advised Mr G with reasonable care and skill – in particular, whether the policy was appropriate or 'suitable' for him, given his needs and circumstances.
- Whether Barclays gave Mr G sufficient, appropriate and timely information to enable him to make an informed choice about whether to take out the policy, including drawing to his attention and highlighting – in a clear, fair and not misleading way – the main provisions of the policy and significant limitations and exclusions.
- If, having considered these questions, I determine the complaint in favour of Mr G, I must then go on to consider whether and to what extent Mr G suffered loss or damage and what I consider would amount to fair compensation for that loss or damage.

Having carefully considered the above and the information provided by both Mr G and Barclays, I've decided not to uphold Mr G's complaint. I've set out my reasoning below.

### ***did Mr G know he had a choice?***

Barclays had to make it clear that the PPI policy was optional.

I've seen a copy of the postal application form Mr G completed when he applied for the credit card and PPI. There was separate section for adding PPI, and customers either had to

tick the Yes box to choose PPI or the No box to decline it. As this form gave customers the option to decline PPI, I think it's clear the PPI was optional.

I can see on Mr G's form the Yes box has been ticked. He has also signed the form to confirm the selections made.

Taking everything into account, I think it's more likely that Mr G knew the policy was optional and he agreed to take it out without undue pressure.

***did Barclays provide advice?***

Both Barclays and Mr G agree that advice wasn't provided during this sale.

This means Barclays didn't have to check if the PPI was suitable for Mr G. Instead, it had to give him sufficient, appropriate and timely information to enable Mr G to make an informed choice about whether to take out the policy, including drawing to his attention and highlighting – in a clear, fair and not misleading way – the main provisions of the policy and significant limitations and exclusions.

***the information***

Barclays has provided us with Mr G's application form - showing that PPI had been selected. It has also referred us to a copy of the paperwork it says he would've received, including the policy terms and conditions – which I accept on a balance of probabilities – applied to policies like Mr G's.

Looking at the information provided to Mr G at the time, I don't think Barclays gave Mr G the information he fairly and reasonably needed to make an informed decision about whether or not to take out the policy.

This sale took place by post. I can see the application form described the PPI policy as providing cover against death, unemployment, accident and sickness. It also informed Mr G that the premiums would be debited from his account.

The information provided would have given Mr G a broad sense of what the policy covered. But it was Barclays's responsibility to draw to Mr G's attention the important information – i.e. the key information about the nature of the cover and any significant exclusions and limitations which might be relevant to his decision.

I'm not persuaded Barclays did enough to do this. For example, I don't think the true cost of the policy was made clear to Mr G, including the need to maintain premiums during a claim or that the payments would attract interest. In addition, I can't see that Barclays adequately drew to his attention the main provisions of the policy and significant limitations and exclusions.

So I don't think Barclays gave Mr G sufficient, appropriate and timely information to enable him to make an informed choice about whether to take out the policy, including drawing his attention and highlighting – in a clear, fair and not misleading way – the main provisions of the policy and significant limitations and exclusions.

I have considered how my findings interact with the FCA's list of significant failings in its guidance for firms handling PPI complaints set out at DISP App 3. And for the reasons set out above, I'm persuaded that there were significant failings in this case.

In addition to the failings I've highlighted above, Mr G's representative has raised a number of general points in regards to the requirements on a business when providing information in PPI sales. It suggests these points apply to all PPI complaints, like Mr G's. I've considered these carefully and summarised them as:

- The common law duty of utmost good faith means the business should have explained the low claims ratio – what Mr G's representative considers to be 'poor value' – and the fact that much of the premium went to the business rather than the insurer.
- the common law duty of utmost good faith means the business shouldn't have just told Mr G about the limitations and exclusions, it should have gone further and explained the significance of them to him.

I'm not persuaded by Mr G's representative's views on this. The duty of utmost good faith in insurance law imposed a duty on both parties to the contract to disclose material facts and not to make material misrepresentations. While I can't be certain what a court would say – I think it's unlikely a court would find that this extended to the insurer having to disclose the claims ratio information or explaining the significance of the limitations and exclusions in the way Mr G has suggested. And taking into account the law, industry codes and standards of good industry practice applicable to this complaint, I don't think it's fair and reasonable to conclude that Barclays ought to have done either.

***what effect did Barclays's shortcomings have on Mr G? To what extent did Mr G suffer loss or damage as a result?***

I've found that Barclays didn't do all it should have done when it sold this policy to Mr G. So I've gone on to consider whether it would be fair and reasonable to conclude Mr G suffered loss and damage as a result. To answer this, I must decide whether or not Mr G would have still taken out the policy, had Barclays done things properly.

Mr G says he wouldn't have taken it out and believes that I should presume this to be the case given the significant failings identified above.

As this was a non-advised sale, Mr G had to weigh up in his own mind the cost of the policy against the benefits offered and the potential consequences if he didn't insure against the risk of being unable to work.

As I've found above, Mr G chose to take this policy out. So I consider that it's reasonable to conclude he had some interest in the benefits offered by this type of insurance. But he made this decision based on incomplete information. So what Mr G thought he was getting is not *exactly* what he got. The extent to which this differed is a relevant consideration when determining if Mr G has suffered any loss or detriment.

In relation to the costs, I'm satisfied Mr G ought reasonably to have known he would have to pay something for the PPI and that it would cover a portion of his outstanding balance – this was set out on the application form. But, I accept that Barclays didn't make clear the on-going cost information. So while Mr G didn't know some things, the ultimate position in the

event of a successful claim was not dissimilar to what he would reasonably have thought from the information he based his decision to take out the policy on and found acceptable.

Possibly the most significant differences between what Mr G thought he had bought and what he actually bought were the following:

- The policy excluded claims relating any sickness, disease, condition or injury which Mr G knew about or which he asked about or received advice, treatment or counselling for from any doctor, during the 12 months immediately before the starting date;
- The policy limited, and in some situations, excluded unemployment cover if Mr G wasn't a permanent employee.
- The requirement that in order to be eligible for a disability claim – Mr G be unable to do his own job or a similar job. It must also stop him from doing any paid work which his experience, education or training reasonably qualifies him to do.

I do accept that there is a possibility the limitations and exclusions above might well have caused Mr G pause for thought – and may well have caused him to conclude that the policy was not as good as he thought and he might have decided not to proceed. The limitations on the cover, when coupled with the other shortcomings in this sale, might have dissuaded some consumers in slightly different circumstances from Mr G from taking out the policy.

But, the evidence about Mr G's circumstances at the time of sale shows that the policy wasn't fundamentally wrong for him. He was eligible for its benefits and it provided cover that, despite its limitations and exclusions, could've proved valuable to him should the insured risks have become a reality. I also haven't seen any evidence to suggest he would've been caught by any of the significant exclusions – Mr G didn't have any pre-existing medical conditions and was in permanent employment. Mr G has mentioned some health problems he experienced, but these happened years after the sale – so these conditions wouldn't have been caught by the pre-existing medical condition exclusion. So, I still think he had some good reasons to take the policy out.

The policy didn't exclude back or mental health conditions or place any additional restrictions or more onerous evidential requirements in the event of a claim on those grounds than would have applied to any other disability claim. And I think it's unlikely Mr G would have expected to make a disability claim on the policy without first providing some evidence to support that claim.

If Mr G had known he could only claim for disability if he was not only unable to do his job or any similar job but also unable to do any job which in the insurer's view he might reasonably be qualified for, it might have played into his thinking about what he would do. And I accept it may have given him pause for thought – although given Mr G's circumstances and the limited other means he had to make his repayments if he wasn't working, on balance, I still think he would have been interested in taking out the cover.

Having considered all of the evidence and arguments in this case, I consider it more likely than not that Mr G would still have taken out the PPI. The policy was sufficiently close to what he thought he was getting, and I think the policy could provide a useful benefit in a difficult time, notwithstanding the limited employment benefits he had. And in those circumstances, I consider it more likely than not that he would have taken out the policy in any event.

Mr G's representatives say the rules about how to handle PPI complaints (DISP App 3) make it clear that, where a significant failing is identified, it should be presumed the consumer wouldn't have taken out PPI, unless there is evidence to outweigh the presumption. They say we should follow this other than in exceptional circumstances.

That guidance is for firms, but it is a relevant consideration so I take it into account along with many other things when I decide what is in my opinion fair and reasonable. Considering the purpose of the guidance, I don't think it was ever intended to be at odds with the approach I have taken.

I have thought about what outcome applying the FCA's guidance to this complaint might lead to. In the language of DISP App 3, I have found it would be reasonable to conclude there were substantial flaws in the sales process. In those circumstances, DISP App 3 says it should be presumed Mr G would not have bought the PPI he bought *unless*, in the particular circumstances of the complaint, there is evidence to rebut the presumption.

I am satisfied, applying DISP App 3, it is reasonable to conclude the presumption is rebutted in the particular facts and circumstances of this complaint. Taking into account Mr G's circumstances as detailed above, I consider it reasonable to conclude the position Mr G found himself in as a result of the sale was the same position he would have been in had the 'breach' or 'significant' failings not occurred.

Mr G believes the presumption may only be rebutted when the flaws in the sales process were immaterial, that the flaws in this case were highly material and we have failed to give proper weight to the evidence – including his own comments that he would not have taken out the policy. I am not persuaded by these arguments.

Even if I am ultimately departing from the guidance for firms set out at DISP App 3 (which I don't consider I am), I am only doing so because I don't consider, in this case, that it would represent fair compensation to put Mr G in the position he would have been in if he had not bought the policy.

That is because, while I accept it is possible that he would not have taken out the policy, I am satisfied that of the two possibilities, it's more likely than not that he would still have taken out the PPI had he been given clear, fair and not misleading information about the policy he was buying. So I'm not persuaded it would be fair and reasonable in those circumstances, to conclude Barclays should pay Mr G compensation, as that would put him in a better position than he would have been in if everything had happened as it should have done.

I'm also aware that Mr G thinks Barclays misrepresented the terms of the policy in how it described the PPI. While I accept there is a possibility a court might conclude some of Barclays's statements misrepresented the contract, in my opinion the reason why Barclays failed to act fairly and reasonably was not because of what it did or didn't say in the information it provided – but because the overall information Barclays gave Mr G, in the way it did, was insufficient to meet the standards I consider it fair and reasonable to expect it to have met in 1998 when providing information about an insurance policy.

I've also thought about the approach Mr G's representative says a court might take if it were to find Barclays negligently misrepresented the contract to Mr G and about the remedy a court might award if it were to find that Barclays had been in breach of its duty of utmost good faith. But this doesn't persuade me to alter my conclusions about what is fair and

reasonable in all the circumstances of the complaint – including what I think is fair compensation in the circumstances of this case. For the reasons I've already set out I don't think it would be fair and reasonable to put Mr G in a better position than if everything had happened as it should have done.

**my decision**

Overall, having considered all the evidence and arguments to decide what is, in my opinion, fair and reasonable in all the circumstances of this complaint and for the reasons I have set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 January 2021.

Asma Begum  
**ombudsman**