

complaint

Mrs M complains that Nationwide Building Society ("Nationwide") mis-sold her payment protection insurance ("PPI") with several loans she took out.

background

Mrs M applied for four personal loans between May 2000 and July 2004 and took out single premium PPI policies for all loans.

The policies would've covered her loan repayments for up to 12 months if she lost her job or for the remaining term of the loan if she was too ill to work.

Mrs M says she didn't get all the information about what the policy covered and what it didn't cover. She also says she didn't realise she could opt-out of the insurance.

Our adjudicator didn't uphold this complaint. Mrs M doesn't agree, so her case has been passed to me to make a decision.

my findings

I have considered all the available evidence and arguments to decide what is 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 case.

Mrs M took out the first loan in May 2000 by completing an online application. Nationwide was able to give us a copy of Mrs M's loan application form. I can see that it gave Mrs M the options to either agree to PPI or decline it. And Mrs M ticked the "yes" box.

I don't have any copies of the loan applications Mrs M completed for her other three loans. However, Nationwide provided us with the loan agreements that were provided to her after all four applications.

The loan agreements clearly showed PPI in a separate column which was titled "*optional credit insurance*". On the back of the loan agreements -on one page and in easy to read print-the terms and conditions of the loans were described. And there it said:

"Where this Agreement includes credit insurance you acknowledge by signing the Agreement that you have received full details of the credit insurance cover...You understand that the credit insurance is optional."

So on balance I think that when she received her respective loan agreements she would've realised that PPI was optional and that she didn't have to have it. And by signing her agreements she agreed to PPI.

Nationwide didn't recommend the policies to Mrs M which means they didn't have to ask her any questions about her circumstances and make sure the policy was right for her. However, they did have to give Mrs M enough information about the policies and its main features to allow her to make up her own mind as to whether PPI was right for her.

The costs of the policies were clearly set out on all the loan agreements. They showed the premiums which were added to the loans, the interest charged and the total cost over the term of the loans. So I think the costs of the policies were presented clearly for all the loans. The agreements also indicated that the policy covered disability, unemployment and life.

Mrs M says she was entitled to 12 months of sick pay at the time and she would've received redundancy payments if she was made unemployed. She also said she had a separate accident policy. However, Mrs M knew the cost of the policy and what events it covered and she still agreed to buy it. So I think it's likely that although she had some protection through her benefits she decided to buy PPI for additional peace of mind. And PPI would've paid out alongside any benefits or policies she had and potentially for a lot longer. So it wasn't unsuitable for her.

All policies excluded pre-existing medical conditions. Mrs M told us she suffered from asthma and so if Mrs M couldn't work due to her asthma, she wouldn't have been able to claim on the policy.

I don't think that Nationwide drew enough attention to these clauses in any of the sales. The online application form for the loan in 2000 referred Mrs M to a link of the terms and conditions. However, it didn't stress the importance of reading them and that there could be exclusions and I think Mrs M could've easily proceeded with her application without reading this.

Nationwide provided a sales instruction document from 2003 which they say their advisors would've followed during telephone sales. The document refers to pre-existing medical conditions but I'm not persuaded that the exclusions would've been adequately drawn to the Mrs M's attention. Nationwide also says Mrs M would've received policy documents with her loan agreements that she could've read before agreeing to PPI. However, looking at the relevant policy documents I don't think enough attention was drawn to these exclusions.

However, I then have to decide whether better information about these exclusions would've changed Mrs M's decision about buying the PPI policy. And I don't think it's likely that it would've. I say this for reasons I'll explain below.

Mrs M managed her symptoms when they occurred with prescription medication. She says she'd have an acute flare up about twice a year and that her condition had caused her to take time off work. She said that the longest she ever was off work was a week. Usually she only couldn't work for a few days at a time

I carefully thought about whether Mrs M would've still taken PPI if she had known that she wouldn't be covered for her asthma. I appreciate Mrs M's comments that asthma can develop into a serious condition and that there was a possibility for her to be off for a longer period of time.

However, on balance I think she would've found it most likely to be off work with asthma related symptoms for frequent but shorter periods. And if she couldn't work for several months due to her asthma she would've been covered by her very generous sick pay. So I think PPI would've offered her additional protection in case she developed another serious illness which could've left her not being able to work for a longer period of time. And her PPI policies could've potentially covered her for up to five years.

So I think it's more likely than not that Mrs M still would've seen the benefits PPI provided to her and agreed to it despite the restricted disability cover.

None of the other exclusions would've negatively affected her and the policies would've paid her a proportional refund of her premiums if she repaid the loans early which means they offered her the flexibility most people would've wanted.

In summary, if Mrs M had received all the information she needed I think she would've found the policy wasn't unsuitable for her and still would've chosen to buy PPI.

And so she hasn't lost out as a result of what Nationwide has done wrong.

my final decision

For the above reasons I don't uphold Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 18 February 2016.

Nina Walter
ombudsman