

complaint

Mrs S complains that she was mis-sold payment protection insurance (PPI) when she took out a store card.

It's been agreed in this case that Financial Insurance Company Limited (FICL) as the insurer should accept responsibility for the complaint. To keep things simple I will refer to FICL in my decision.

background

Mrs S applied for a store card in 2002 by filling out an application form. At the same time, she was sold a PPI policy. The policy cost £1.00 per £100 Mrs S owed on her store card.

The policy would've paid 15% of the outstanding monthly balance on her store card if she couldn't work because of an accident or sickness or lost her job. The policy also offered her purchase and price protection.

Our adjudicator upheld the complaint. He found that FICL shouldn't have sold the policy to Mrs S without pointing out to her that it wouldn't meet her needs because of her health problems. FICL disagreed. It said it gave Mrs S enough information about the policy so that she could make an informed decision about taking out the policy.

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 Mrs S's case.

I've decided to uphold Mrs S's complaint.

I don't have any evidence to say that FICL advised Mrs S to take out the policy. This means it didn't have to make sure the policy was right for her. But it did have to give Mrs S enough clear information so that she could make an informed choice about whether it was right for her. This included drawing Mrs S's attention to all the significant features of the policy before she decided to buy it. And I don't think FICL did this well enough.

The policy didn't cover medical conditions that a person had when they bought the policy. Mrs S had health problems when she took out the policy. I think that Mrs S's health problem would've been the likely cause of a claim under the policy. I say this because Mrs S has told us that she had been suffering from her medical condition and taking medication for a number of years before taking out her store card. And I've also kept in mind that Mrs S's condition was one that could cause other health problems. So I think it would've been difficult for Mrs S to make a claim given the nature of her condition.

With this in mind, I think the policy wouldn't have covered the most likely reason she would've had to claim on it. That means the policy was worth a lot less to her. And FICL should've clearly pointed it out to Mrs S, so that she could decide if she wanted to take out the policy.

FICL has given us a copy of Mrs S's signed store card application form. I can see that it doesn't include any information about the exclusions concerning pre-existing medical conditions (PEMC). And that there's no reference to anything, which would draw a consumer's attention to the importance of any explanation about the policy's limitations or clear information about the importance of reading information about the policy benefit. So I don't think Mrs S would've realised that she wouldn't be able to claim for her medical condition under the policy before she decided to take it out.

FICL has pointed out that it would've given Mrs S a policy document after the sale, which contained information about the limitations concerning PEMC's. But this was *after* Mrs S had made her decision to take out the policy. And I don't think Mrs S would've thought she needed to read the full policy document to find out if the policy was right for her.

Overall, I don't think FICL did enough to bring this limitation to Mrs S's attention and given that the information was of direct relevance to Mrs S, I think it would've affected her decision to take out the PPI. Without knowing information that concerned her, I can't see that Mrs S could reasonably be expected to make an informed decision about the PPI. And if FICL had properly informed Mrs S, I don't think she'd have taken out the policy.

I know the policy would've also covered Mrs S's repayments if she lost her job. But I've not seen anything to suggest that accident and sickness benefit wasn't as of equal importance to her as unemployment cover. I've also considered the additional benefit the policy provided. But I've not seen anything in Mrs S's circumstances to make me think that her need for purchase protection and price protection was such that this would have motivated her to take out this policy. So I think Mrs S has lost out as a result of what FICL did wrong, and it needs to put things right.

what FICL should do to put things right

FICL should put Mrs S in the financial position she'd be in now if she hadn't taken out PPI. If possible

- A. FICL should find out how much Mrs S 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.

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

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

- B. FICL should add simple interest on the difference between what Mrs S would have owed when she closed her account from when she closed it until she gets the refund. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]
- C. If – when FICL works out what Mrs S would have owed each month without PPI – Mrs S paid more than enough to clear her balance, FICL should also pay simple interest on the extra Mrs S paid. And it should carry on paying interest until the point when Mrs S

would've owed FICL something on her store card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]

FICL may not be able to work out A, B and C if it doesn't know when the PPI premiums were added, how much the PPI premiums were and/or how much interest was charged on those premiums. So if FICL can't do A, B and C, it should:

- D. use what it knows about Mrs S – and, if necessary, consumers who took out the same type of PPI policy for the same length of time – to estimate how much she paid for PPI (including interest) – and pay this to Mrs S instead of A, B and C.

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

- E. FICL should add simple interest on this amount (D) from the date the account was closed until the date Mrs S gets her refund. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]
- F. FICL should tell Mrs S what it's done to work out her compensation – and if it has to estimate how much she paid for PPI, it should explain why and give Mrs S the chance to provide any missing information.

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

my final decision

For the reasons I've explained, I've decided to uphold Mrs S's complaint and direct Financial Insurance Company Limited to pay Mrs S compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 5 November 2015.

Sharon Kerrison
ombudsman