

complaint

Miss W complains that ACF Car Finance Limited (ACF) mis-sold her a payment protection insurance (PPI) policy.

background

In 2007, Miss W took out a £2,350 (not including interest) loan over 37 months to buy a car. At the same time, ACF sold her a life only PPI policy. Miss W borrowed extra to pay for the PPI. It cost £330.69, which was added to the loan and attracted interest.

Our adjudicator upheld the complaint. She thought the insurance policy wasn't suitable for Miss W and ACF shouldn't have recommended it to her. ACF disagreed. It says that it explained the insurance to Miss W and she understood what she was buying. ACF also argued that the insurance was right for Miss W and provided her (and her next of kin) with valuable protection if she died.

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 Miss W's case.

I've decided to uphold Miss W's complaint.

ACF accepts that it recommended this policy to Miss W. So it had a responsibility to take steps to make sure that it was right for her. ACF has argued that it went through a robust sales process to make sure the policy was suitable Miss W. But, having looked at the information about the policy and Miss W's circumstances, I don't agree.

At the time of sale, Miss W has told us she was working and had two children. I understand that the car was for her use, and I don't think she would've thought it worth protecting as part of her estate if she had died. The car didn't have a high value, and was likely to depreciate quickly.

Miss W has also told us she had no other significant financial commitments at the time, such as a mortgage, and no savings or assets. So I think the fact the outstanding car loan would be deducted from her estate is unlikely to have been much of a concern to Miss W because she had no estate. So, in the unlikely event Miss W had died within the loan term, I don't think the fact that it would've been repaid would've been particularly attractive to her.

In summary, having looked at her circumstances at the time of sale, my view is that the policy wasn't right for Miss W. I don't think it's likely that Miss W would've thought having her loan paid off in the event of her death was important enough to have paid for life insurance.

As it was a recommended sale, it was for ACF to make sure it asked Miss W the right questions to check whether or not the policy was suitable for her. Having looked at all the evidence provided, I don't think ACF did enough to make sure it was suitable. I also think that it's unlikely Miss W would've wanted to buy the policy if she'd been properly advised about the ways in which it wasn't right for her.

As this finding is enough for me to uphold the complaint, I don't need to make a finding on any of the others points raised. I think Miss W lost out because of what ACF did wrong, and so I'm telling ACF to put things right as set out below

what the business should do to put things right

Miss W borrowed extra to pay for the PPI, so her loan was bigger than it should've been and she paid more than she should've each month. So Miss W needs to get back the extra she's paid. So, ACF must:

- Work out and pay Miss W the difference between what she paid each month on the loan and what she would've paid each month without PPI.
- Add simple interest to the extra amount Miss W paid each month from when she paid it until she gets it back (the rate of interest is 15% a year until April 1993 and 8% a year from then on[†]).

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

HM Revenue & Customs requires ACF to take off tax from this interest. ACF must give Miss W a certificate showing how much tax they've taken off if she asks for one.

my final decision

For the reasons I've explained, I've decided to uphold Miss W's complaint and direct ACF Car Finance Limited to pay her compensation as set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss W to accept or reject my decision before 30 December 2015.

Clair Bantin
ombudsman