

complaint

Miss M complained that she was mis-sold a store card payment protection insurance (PPI) policy. Financial Insurance Company Limited ("FICL") has taken responsibility for this complaint.

background

Miss M bought the policy when she took out a store card in September 2002. FICL said that the sale took place in-store, and that Miss M wasn't advised to take the PPI. Miss M said she wasn't given any information about the PPI, and she didn't realise it was being added to her card.

The policy cost £1.00 for each £100 Miss M owed on her store card. If she'd successfully claimed on the policy, each month it would've paid out 15% of what she owed on the card when she stopped working. This would've carried on until she returned to work or the balance was cleared.

Our adjudicator thought FICL hadn't clearly explained the terms of the policy. Miss M said she had health problems at the time of the sale, and the PPI wouldn't have covered these. He thought Miss M wouldn't have bought the policy if she'd understood this. So he upheld 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 Miss M's case.

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

FICL sent us a copy of Miss M's store card application. This shows that she signed separately on the form to say that she wanted to take out the PPI. From this I think Miss M probably had a choice about whether to take the PPI, and that she *did* choose to take it. I think it's likely she just doesn't remember doing so.

From the information I have, I don't think FICL advised Miss M to take out the PPI. But it should still have given her enough information for her to decide if the policy was right for her. I don't think it did.

As the sale took place in a store I can't know how the salesperson explained the policy. I can't say whether FICL clearly pointed out the main things the policy doesn't cover. But I think Miss M would've been affected by the main exclusions. This is because she told us she had health problems at the time of the sale. The PPI wouldn't have covered these, so the disability cover available to her would've been limited.

The store card application form refers to information in a separate document, but I don't have a copy of this. FICL said that the policy document would've been sent out *after* the sale. So it's not clear what policy information Miss M would've had at the point of sale. From all this, I don't think Miss M would've realised the cover available to her would be limited.

FICL argued that Miss M later said that she hadn't had to take long periods off work with her condition. This may be the case – but I don't think Miss M could necessarily have predicted that when she took out the PPI. And more importantly, I'm not satisfied that she had information about the limitation in cover on which to make an informed decision about it.

On balance I don't think Miss M would've decided to take out the PPI with the store card if she'd fully understood the limitation in cover. This means Miss M is worse off as a result of what FICL did wrong, so it needs to put things right.

fair compensation

FICL should put Miss M 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 Miss M would've 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 Miss M owed when she closed her account and what she would have owed if she hadn't had PPI.

If Miss M 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 Miss M 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 FICL works out what Miss M would have owed each month without PPI – Miss M paid more than enough to clear her balance, FICL should also pay simple interest on the extra Miss M paid. And it should carry on paying interest until the point when Miss M would've owed FICL something on her store card. The interest rate should be 8% a year.[†]

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 Miss M – 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 Miss M instead of A, B and C.

If Miss M 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 Miss M gets her refund. The interest rate should be 8% a year.[†]

- F. FICL should tell Miss M 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 Miss M the chance to provide any missing information.

† HM Revenue & Customs requires FICL to take off tax from this interest. FICL must give Miss M 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 Miss M's complaint. Financial Insurance Company Limited must pay her the compensation I've described.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 13 November 2015.

Jan Ferrari
ombudsman