

complaint

Mrs D complains that Creation Financial Services Limited (Creation) mis-sold her a payment protection insurance (PPI) policy.

background

Mrs D was sold the PPI in connection with a store card in 2007 during a phone call.

Creation have told us that the policy cost £1.85 per £100 of the monthly outstanding balance. They also mentioned at one stage that the policy cost 99p per £100. It would've covered 10% of the monthly outstanding balance if Mrs D was off work sick or lost her job. It also appeared to provide price and purchase protection.

Our adjudicator upheld Mrs D's complaint because she thought Creation hadn't made the costs and benefits of the policy clear to Mrs D. Had they done so, then she thinks, given Mrs D's circumstances at the time of the sale, Mrs D wouldn't have taken the policy out.

Creation didn't agree with our adjudicator and the complaint has been passed to me to consider.

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 D's case.

Having done that, I've decided to uphold Mrs D's complaint.

Creation had to provide Mrs D with information in a clear, fair and non-misleading way so that she could make a proper choice about whether or not to take the policy out.

I don't think Creation gave Mrs D clear enough information about the true costs and benefits of the policy. I will go on to explain why.

Creation have provided us with a call script which they say their representative would've followed. And they rely on this script to say that they did present Mrs D with clear information about the costs and benefits of the policy.

First of all, I can't be satisfied that this is the same script that the representative would've followed as I can't see a date on it.

But even if it is, I don't think the costs and benefits are presented as they should've been. So for example, the script doesn't instruct the representative to explain to Mrs D that premiums would need to continue to be paid during a claim. Or that interest would be added to the monthly premiums if the balance wasn't cleared in full. And they didn't break down in realistic examples what the cost per £100 would actually mean for Mrs D.

So I now have to go on to consider whether Mrs D would still have taken the policy if all the information as above had been explained to her. And I don't think she would've. I say this

because Mrs D has told us that she would've been entitled to six months' full pay followed by six months' half pay from her employer if she was unable to work. I accept that this is what Mrs D would've been entitled to given who she was employed by.

Because of the amount she would've been entitled to, I think Mrs D had sufficient cover in place. And I don't think she would've considered the policy to have been of good value for money in her circumstances if she had been aware of the true costs and benefits of the policy.

It follows that I uphold Mrs D's complaint.

fair compensation

Creation should put Mrs D in the financial position she'd be in now if she hadn't taken out PPI. The policy should be cancelled if it hasn't been cancelled already and:

- A. Creation should find out how much Mrs D would owe on her store card if the policy hadn't been added to it.

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.

Creation should then refund the difference between what Mrs D owes and what she would have owed.

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

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

- C. Creation should tell Mrs D what it's done to work out A and B.

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

my final decision

I uphold Mrs D's complaint against Creation Financial Services Limited and require them to pay Mrs D the fair compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 8 August 2016.

Navneet Sher
ombudsman