

complaint

Mr A says NewDay Ltd ("NewDay") mis-sold him a payment protection insurance ("PPI") policy.

background

This complaint is about a credit card PPI policy taken out in November 2003. The policy was added to Mr A's credit card account when he applied for the card through the post.

Our adjudicator upheld the complaint. NewDay disagreed with the adjudicator's opinion so the complaint has been passed to me.

my findings

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I think the relevant issues to take into account are the same as those set out in the note on our website about our approach to PPI complaints.

I've decided to uphold Mr A's complaint because:

- The information NewDay gave Mr A about the cost and benefit wasn't as clear as it should have been. Mr A would need to keep paying the premiums during a claim. This would reduce the real value of the policy benefit below the level that NewDay explained in its leaflet.
- I think this would have mattered to Mr A as he doesn't appear to have had a strong need for the policy. He had other ways to meet the credit card repayments for a while without the policy. He had good sickness cover at work. His employer would continue to pay him in full for six months followed by a further three months at half pay. When I weigh up his workplace benefits against the limited benefit the policy would pay each month, I think clearer cost and benefit information would've put him off taking out the policy.

I think Mr A has lost out as a result of NewDay's failings in this case, because I don't think he would have taken out the policy if he'd been properly informed.

I've taken into account NewDay's comments, including what it said about Mr A using his workplace benefits to cover his other living expenses. But this doesn't change my conclusion.

fair compensation

NewDay will need to put Mr A back in the position he'd have been in if he'd taken out his credit card without PPI. I understand that the PPI policy was cancelled in January 2005 and the credit card account closed. So NewDay should:

- A. Work out what the final balance of Mr A's credit card account would have been if the PPI policy had *not* been added to the account.

This will involve NewDay removing the PPI premiums, any interest that was charged on the premiums and any charges (and interest on those charges) that would not have applied if the PPI had not been added to the account.

NewDay should then pay Mr A the difference between his final balance and what the final balance would have been without PPI.

- B. Pay Mr A interest at 8% per year simple[†] on this difference (between his final balance and what the final balance would have been without PPI) from the date the account closed to the date of settlement.
- C. If at any time Mr A's credit card account would have been in credit had PPI not been added, NewDay should pay Mr A interest at 8% per year simple[†] on the credit balance for the time it would have stayed in credit.
- D. Set out in writing to Mr A how it has calculated the compensation in A, B and C.

[†] - HM Revenue & Customs requires NewDay to deduct tax from any simple interest payments. NewDay must give Mr A a certificate of tax deduction if he asks for one.

my decision

For the reasons set out above, I uphold Mr A's complaint.

NewDay Ltd must pay Mr A compensation as I've set out above.

Stefan Riedel
ombudsman