complaint

Mrs B says she was mis-sold a payment protection insurance ("PPI") policy alongside 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'll refer to FICL in my decision.

background

In 2003 Mrs B took out a store card during a meeting. She was sold a PPI policy at the same time. The policy cost £1.50 for each £100 Mrs B owed on the card. If she'd made a claim on the policy, each month it would've paid out 15% of what she owed on the card or £10 (whichever was greater) if she lost her job or was too sick to work.

Our adjudicator upheld the complaint. He didn't think Mrs B would've bought the policy if the cost and benefits had been made clear enough to her.

FICL disagreed. It says the cost and benefits would've been explained to Mrs B in store and the policy would've paid out on top of her existing employee benefits. It also says this was a non-advised sale so it was up to Mrs B to decide whether the policy was right for her.

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 B's case.

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

Mrs B and FICL both say she wasn't given advice when the PPI was sold to her. So FICL didn't need to check whether the policy was suitable for her. But it did have to give her enough clear information about the policy so she could decide whether it was right for her. This included information about the cost and benefit.

FICL says the cost and benefits would've been explained to Mrs B during the sale. And it also would've sent her information after the sale.

I can see Mrs B's store card application form set out the headline cost of the policy (1p per £1 owed). But I don't think this limited information was enough for Mrs B to really understand what the policy was going to cost her. And it didn't explain anything about the benefits of the policy.

I can't see that Mrs B was given any practical examples of what the cost of the policy would've looked like as she spent on her account. And I don't think FICL told her the premiums would've been added to her outstanding balance and could've attracted interest – making the policy more expensive than it seemed.

I also don't think Mrs B was told she had to keep paying for the policy during a claim - which was also important because it meant the benefit was lower in real terms.

FICL might have sent Mrs B some more information about the policy after she applied for it. But important information like the *real* cost and benefit should've been pointed out to her *before* she made her choice. And I don't think it was.

Overall, I don't think FICL gave Mrs B enough clear information about the cost and benefit of the policy before she decided to buy it. This meant Mrs B wasn't able to weigh up what she was getting for her money and whether the policy was worthwhile. And, looking at her circumstances at the time, I don't think she would've bought the policy if she'd been given that chance (as she should've been).

I say this because Mrs B was in full time employment at the time and she would've received a good level of sick pay from her employer. She also told us she had savings that she could've used to make the repayments on her card. So I don't think Mrs B had a real need for the policy. And I don't think she would've thought the policy was good value for her if she'd properly understood the cost and benefits it provided.

I know the policy would've also covered Mrs B's repayments if she lost her job. But I've not seen anything to suggest that accident and sickness benefit wasn't equally as important to her as unemployment cover. I also don't think the purchase protection offered by the policy would've made the policy attractive enough for her to decide to go ahead with it.

This means Mrs B has lost out as a result of what FICL did wrong. So it needs to put things right.

what FICL needs to do to put things right

I understand from the information on file that the PPI policy was previously suspended on Mrs B's account - and that the last premium was charged in 2012.

FICL should put Mrs B 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 – if possible –

A. FICL should find out how much Mrs B 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.

   FICL should then refund the difference between what Mrs B owes and what she would have owed.

   If Mrs B 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. If – when FICL works out what Mrs B would have owed each month without PPI – Mrs B paid more than enough to clear her balance, FICL should also pay simple interest on the extra Mrs B paid. And it should carry on paying interest until the point when Mrs B 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 and B 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 and B, it should:

C. use what it knows about Mrs B – 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 B instead of A and B.

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

D. FICL should tell Mrs B 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 B the chance to provide any missing information.

† HM Revenue & Customs requires FICL to take off tax from this interest. FICL must give Mrs B 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 uphold Mrs B's complaint. Financial Insurance Company Limited must pay Mrs B fair compensation, as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 6 November 2015.

Joanna Brown
ombudsman