

complaint

Ms W says NewDay Ltd (NewDay) mis-sold her a regular premium payment protection insurance (PPI) policy to cover her credit card repayments.

background

Ms W took out a credit card in 2004. At the same time she took out a PPI policy to cover her card repayments. The policy cost around 79p per £100 of the balance on Ms W's credit card. A successful claim on the policy would've paid 10% of the outstanding balance on the card if Ms W was unable to work due to accident or sickness or lost her job for up to 12 months per claim.

Our adjudicator thought Ms W's complaint should be upheld because she didn't think the costs and benefits of the policy were made clear enough. She thought if they had been made clearer Ms W wouldn't have taken the policy because she already had enough cover in place.

NewDay didn't respond to our adjudicator's view – so the complaint has come to me for a decision.

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 Ms W's complaint.

This has been a difficult complaint to decide - Newday hasn't provided any documentary evidence from the time of the sale and it hasn't told us why it doesn't think this complaint should be upheld. Because of this, I've based my decision on what I know about the sale of PPI by NewDay and documentation I've seen from similar sales that took place around this time. And having done so, I've decided to uphold Ms W's complaint and I'll explain why.

NewDay says Ms W took out her credit card and PPI policy by completing a postal application form so I don't think it advised her to take the policy. So it wasn't under a duty to make sure the policy was suitable for Ms W's needs. But it did need to give Ms W information in a way that was clear, fair and not misleading so that she could make an informed choice about buying it.

To make an informed choice at the very least Ms W needed to be given enough information to be able to understand the main costs and benefits of the policy. I understand that the policy document would've been sent to Ms W following her credit card application – but I don't think providing information about the policy to Ms W *after* she has agreed to buy it is putting her in a position to make an informed decision on whether she wants to buy the policy. So to help me decide if the information given to Ms W was good enough at the *point of sale* I've looked at other credit card application forms from around this time.

But I haven't seen anything that shows Ms W would've understood enough about the benefits of the policy. And I can't say that the cost of the policy would've clear enough either. Typically, the cost information is printed in a small typeface and says things like "...at a cost of just 79p per £100 outstanding on my monthly statement". Because there is no example of

how the cost is worked out I think it would've been difficult for Ms W to understand what the policy was going to cost her.

At the time of sale Ms W says if she was unable to work due to accident or sickness she had a good level of work benefits that would cover her – more than six months' pay from her employer – as well as having savings she could've relied upon. From what I understand of the nature of her employer I think it's likely she did have this level of work benefits in place.

So I don't think Ms W would've taken the policy if NewDay had given all the information on the costs and benefits of the policy she needed to make an informed choice about buying the policy. I say this because I don't think she would've thought she needed it as she had enough cover already in place. And I don't think Ms W would've thought the benefit she got from the policy was worth the money.

As a consequence Ms W has lost out as a result of NewDay's failings in this case.

what NewDay should do to put things right

If Ms W's credit card account is still open:

NewDay should put Ms W 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. NewDay should find out how much Ms W would owe on her credit 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.

NewDay should then refund the difference between what Ms W owes and what she would've owed.

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

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

- C. NewDay should tell Ms W what it's done to work out A and B.

If Ms W's card account is closed:

NewDay should put Ms W in the financial position she'd be in now if she hadn't taken out PPI.

- A. NewDay should find out how much Ms W would've owed when she closed her credit 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.

NewDay should then refund the difference between what Ms W owed when she closed her account and what she would've owed if she hadn't had PPI.

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

- B. NewDay should add simple interest on the difference between what Ms W would've 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 NewDay works out what Ms W would've owed each month without PPI – Ms W paid more than enough to clear her balance, NewDay should also pay simple interest on the extra Ms W paid. And it should carry on paying interest until the point when Ms W would've owed NewDay something on her credit card. The interest rate should be 8% a year.[†]
- D. NewDay should tell Ms W what it's done to work out A, B and C.

In either case:

[†] HM Revenue & Customs requires NewDay to take off tax from this interest. NewDay must give Ms W 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 Ms W's complaint against NewDay Ltd and direct it pays the fair compensation outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 6 February 2017.

Andrew Macnamara
ombudsman