complaint

Mrs M complained that she was mis-sold a store card payment protection insurance (PPI) policy. Open Door has taken responsibility for this complaint.

background

Mrs M bought the policy in September 2004 when she took out a store card. FICL said that the sale took place in-store, and that Mrs M wasn't advised to take the PPI. Mrs M said she wasn't given any information about the PPI.

The policy cost £1.50 for each £100 Mrs 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. The policy also included price and purchase protection.

Our adjudicator thought FICL hadn't clearly explained the cost and benefits of the policy. And he thought Mrs M wouldn't have bought the policy if it had. 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 Mrs M's case.

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

FICL sent us a copy of Mrs M's store card application. This shows that she signed the form – separately from her signature for the credit - to say that she wanted to take out the PPI. From this I think Mrs M most likely knew about the PPI, and that she chose to take it. I think she probably just doesn't remember doing so.

From the evidence I have, I don't think FICL advised Mrs 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'm not satisfied that 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 don't think Mrs M would have been affected by any of these.

However, the cost of the PPI is covered very briefly on the store card application form. There's a reference to more information on a separate document, but I don't have a copy of this. I have a copy of the PPI policy, but FICL said that this would've been sent out after the sale. So it's not clear what policy information Mrs M would've had at the point of sale. From all this, I don't think Mrs M would've realised that she would have had to keep paying for the policy during a claim – which means the benefit is lower in real terms. I also don't think Mrs M would've understood that the premium would be added to her store card balance and she could be charged interest on it.

Mrs M told us that, when she took out the policy, she was entitled to sick pay from her employer of six months' full pay followed by six months' half pay. On balance, and taking into account her circumstances, I don't think Mrs M would've considered the PPI to be good value for her at this cost and level of benefit.

Because of this, I don't think Mrs M would've decided to take out the PPI with the store card if she'd fully understood the cost and benefits. This means Mrs M is worse off as a result of what FICL did wrong, so it needs to put things right.

fair compensation

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

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

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

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

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

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs M to accept or reject my decision before 5 November 2015.

Jan Ferrari
ombudsman