

complaint

Mr H complains that Capital Credit Union Limited (Capital) mis-sold him a payment protection policy (PPI). He says Capital added the policy without his knowledge and didn't give him any information about it.

background

In 2006, Mr H took out a £5,000 loan over 4 years. Mr H applied for his loan over the internet. At the same time, Capital sold him a PPI policy.

The policy cost £10.86 per month and covered Mr H's loan repayments if he lost his job or couldn't work because of an accident or sickness.

Our adjudicator upheld Mr H's complaint because she didn't think Capital had made the unemployment conditions clear to Mr H. And given his circumstances at the time, if it had, she didn't think Mr H would've taken out the policy. Capital disagreed. It said it was up to Mr H to decide if the policy was right for him. And said that although Mr H may not have been able to benefit from the unemployment cover he could've still benefitted from the accident and sickness cover.

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 Mr H's case.

I've decided to uphold Mr H's complaint.

Both parties agree that Mr H applied for his loan over the internet. Capital has given us a copy of Mr H's completed internet application, his signed loan agreement and a copy of the policy key facts. I've referred to these to help me reach my decision and taken into account what Mr H has told us about the sale.

I don't have any evidence that Capital recommended the policy to Mr H. This means it didn't have to make sure the policy was right for him. But it did need to give Mr H enough clear information about the policy so that he could make an informed decision. And I don't think Capital did that well enough.

When Mr H applied for his loan, he was working two jobs. Mr H had a full time job and a part time job where he worked 2-3 night per week for around 25 hours.

According to the policy key facts to claim unemployment benefit: *"you need to register for a Job Seekers Agreement in order to make an unemployment claim."*

Mr H declared on his loan application that he was working two jobs at the time of buying the PPI. According to the policy terms, I think he may have had to lose both jobs to register as unemployed before he could claim on the policy. This would've limited his ability to make an unemployment claim on the policy.

Given his circumstances, I think this was important information for Mr H to know. Capital haven't been able to give us a copy of the screen shots showing what (if any) information Mr H would've seen as he went through the on line process. So it's not clear what policy information was available to Mr H at the point of sale.

Capital has argued that it provided Mr H enough information and has referred me to Mr H's completed loan application which it says clearly lays out the cost, benefits and conditions of the policy. But apart from asking three questions about eligibility and giving some brief information about pre-existing medical conditions, it doesn't contain any information about unemployment cover. And there's nothing that would've drawn Mr H's attention to the importance of the policy's terms relating to unemployment. So I'm not satisfied he would've understood this limitation at the time he took out the policy.

I also note that the application form states "*Full policy details will be provided with your loan agreement along with a summary of the details above and disclosure statement detailing the insurance services that Capital Credit Union provide.*" This suggests to me that Mr H wasn't provided with the full policy document until *after* he'd agreed to buy the policy.

If Capital had clearly drawn Mr H's attention to the unemployment term, I don't think he would've bought the PPI. This is because he would've understood that he'd be unlikely to succeed in making an unemployment claim (even though the policy would still have covered him for accident and sickness). This means Mr H is worse off because of what Capital did wrong and so it needs to put things right.

I know Mr H says Capital added the policy to his account without his knowledge. But I've not made a finding on this point because the reasons above are enough to make me think Mr H's complaint should be upheld.

what capital should do to put things right

Capital should put Mr H in the position he'd be in now if he hadn't taken out PPI. The policy should be cancelled, if it hasn't been cancelled already, and Capital should:

- Pay Mr H the amount he paid each month for the PPI
- Add simple interest to each payment from when he paid it until he gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on†.
- If Mr H made a successful claim under the PPI policy, Capital can take off what he got for the claim from the amount it owes him.

† HM Revenue & Customs requires Capital to take off tax from this interest. Capital must give Mr H a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons I've explained, I've decided to uphold Mr H's complaint and direct Capital Credit Union Limited to pay him compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 25 February 2016.

Sharon Kerrison
ombudsman