

complaint

Mrs M complains Creation Financial Services Limited mis-sold her payment protection insurance (PPI).

background

Mrs M called Creation in April 2007 to activate a store card she'd had re-issued. At the same time Creation sold her a PPI policy.

The policy covered Mrs M if she was off work because she was sick or had had an accident or if she lost her job. It also gave her life, price and purchase protection cover.

The adjudicator who looked to Mrs M's complaint thought it should be upheld because the policy had restrictions on self-employed people being able to claim unemployment cover. He didn't think Creation made this clear enough to Mrs M. If it had, he didn't think Mrs M would've bought the PPI.

Creation disagrees and so Mrs M's complaint has come to me to decide.

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 complaint.

I've decided to uphold Mrs M's complaint. Mrs M says she was self-employed and I don't think Creation made the policy restriction on self-employed people being able to claim unemployment cover clear to her.

I've listened to the call recording. I don't think Creation advised Mrs M to buy the PPI, so it didn't need to make sure it was right for her specific circumstances. But it did need to give her clear enough information about the policy for her to make that decision herself.

The call handler asks Mrs M if she is an employee of a company or self-employed. Mrs M says she's self-employed. The call handler hesitates, then asks Mrs M the question again. Mrs M answers saying she's self-employed but paid by a company. But Mrs M also emphasises she works for herself. Despite Mrs M saying this, the call handler reads out the part of Creation's sales script (which I've also seen), that applies to someone employed by a company. She *doesn't* read out the part of the script that applies to self-employed people.

So, when Mrs M bought the policy, Creation didn't give her *any* information about the restriction in the policy on self-employed people being able to claim unemployment cover.

Creation says Mrs M gave incorrect information in the call and, had she given the right information, she'd have been told about the policy restriction. Listening to the call, I don't think Mrs M gave incorrect information. There's a bit of confusion because the call handler hesitates when Mrs M says she's self-employed. But it's clear to me Mrs M says she's self-employed.

And, even if the call handler had read out the right part of the script, this wouldn't change my view. All Mrs M would then have been told is that she'd only get unemployment cover if her business permanently ceased trading because it couldn't pay its debts. I don't think she's likely to have understood what this could've meant for her. The need to cease trading *permanently* is onerous. I think it's a significant restriction Creation should've explained to Mrs M before she bought the policy.

Creation says Mrs M would've received a policy document and it was her responsibility to check the policy was right for her. But any policy document would've been sent *after* Mrs M had bought the PPI. Creation should've told Mrs M about it *before* she bought it. And, in any event, in the copy of the policy document I've seen (which is a very poor copy), the restriction is hard to find and Mrs M could easily have missed it – and what it meant for her - even if she'd read the policy document.

Although the policy gave Mrs M other cover, if she'd known about the restriction on self-employed people being able to claim unemployment cover, I don't think she'd have bought it. So she's lost out because of what Creation did wrong and it should put things right for her.

putting things right

Creation should put Mrs M 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. Creation should find out how much Mrs M 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.

Creation should then refund the difference between what Mrs M owes and what she would have owed.

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

- B. If – when Creation works out what Mrs M would have owed each month without PPI – Mrs M paid more than enough to clear her balance, Creation 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 Creation something on her store card. The interest rate should be 8% a year.[†]

- C. Creation should tell Mrs M what it's done to work out A and B.

[†] HM Revenue & Customs requires Creation to take off tax from this interest. Creation must give Mrs M a certificate showing how much tax it's taken off if she asks for one.

my final decision

I uphold Mrs M's complaint and direct Creation Financial Services Limited to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 6 June 2016.

Jane Gallacher
ombudsman