

complaint

Mr F complains that NewDay Ltd ("NewDay") mis-sold him a payment protection insurance ("PPI") policy alongside a credit card in 1999.

Mr F says that he does not think that PPI is suitable for him as he is self-employed.

background

Our adjudicator thought that the complaint should be upheld. NewDay did not agree with this view, so it has come to me to make a final decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. We have set out our general approach to complaints about the sale of all types of payment protection insurance on our website and I have taken this into account in deciding Mr F's case.

I have decided to uphold Mr F's complaint, and have explained my reasons below.

NewDay has not been able to provide a copy of Mr F's application form for the credit card and PPI. As this sale took place so long ago, I do not find that surprising. But NewDay has given me a sample copy of the application forms from that time.

Having looked at the sample document, I do not think that NewDay recommended the policy to Mr F. But it still had to make sure that it gave him all the information that he needed to allow him to make an informed decision about whether or not to buy the policy.

Looking at the form, I think that Mr F would have known that he had a choice about buying the policy and could have decided that he wanted to take the credit card without the cover.

But from what I have seen, I do not think that important information about the conditions and limitations on the policy was made as clear as it should have been.

I can see that the credit card application form sets out a rough cost for the cover, and also shows that the cover was not available to someone over the age of 64. But it did not make it clear that there could be other situations where the cover might not be suitable. Having looked at the terms of the policy, I think that it would have been difficult for a self-employed person to make a successful claim on the policy. I say this because their business would have had to completely stop trading, which is a demanding step for a self-employed person to take.

I accept that the details of policy limitations may have been provided to Mr F in a separate leaflet. But it was closely worded document, and I do not know if he read it.

If the key limitations of the policy had been presented on the application form, I think that Mr F would have either looked at the policy document with care, or decided not to buy the policy.

Mr F worked in an industry where periods with little work were common, so I think that he may well have welcomed the reassurance of cover for times when he could not work. If he

had known that it would be very difficult for him to make an unemployment claim, I do not think that he would have chosen to buy the cover. Without the ability to claim for unemployment the value of the benefit of the policy for the cost was greatly reduced.

Having looked at this with care, I think Mr F lost out as a result of the limited information that NewDay gave him at the time of the sale. I think he would have decided not to buy the policy if he had been aware that a self-employed person would have difficulty claiming on it.

So I uphold this complaint.

putting things right

My understanding is that the credit card is still running but the PPI policy has been cancelled. NewDay should put Mr F in the financial position he would be in now if he had not taken out the PPI.

- A. NewDay should find out how much Mr F would owe on his credit card if the policy had not 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 Mr F owes and what he would have owed.

If Mr F made a successful claim under the PPI policy, NewDay can take what he was paid for the claim from the amount it owes him.

- B. If, when NewDay works out what Mr F would have owed each month without PPI, Mr F paid more than enough to clear his balance, NewDay should also pay simple interest on the extra Mr F paid. It should carry on paying interest until the point when Mr F would have owed NewDay something on his credit card. The interest rate should be 8% a year.[†]

- C. NewDay should tell Mr F how it has worked out A and B.

[†] HM Revenue & Customs requires NewDay to take tax from this interest. NewDay must give Mr F a certificate showing how much tax it has taken if he asks for one.

my final decision

For the reasons set out above, I uphold Mr F's complaint. NewDay Ltd should pay Mr F compensation as set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr F to accept or reject my decision before 1 June 2015.

Roxy Boyce
ombudsman