

complaint

Mr M complains that he was mis-sold payment protection insurance ("PPI") when he took out a credit card with Canada Square Operations Limited, trading as Egg.

background

I set out the full background to this case in my provisional decision which I've attached here and forms part of this final decision.

Both parties were invited to make further comments. Neither party had anything further to add.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As neither party has asked me to consider anything else in this case I'm satisfied that my provisional decision is fair and reasonable.

my final decision

I'm upholding Mr M's complaint and direct Canada Square Operations Limited to pay compensation as I've described in 'putting things right' in my provisional decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 February 2016.

Sally Allbeury
ombudsman

PROVISIONAL DECISION

complaint

Mr M complains that he was mis-sold payment protection insurance ("PPI") when he took out a credit card with Canada Square Operations Limited, trading as Egg.

background

Mr M applied for a credit card with Egg over the internet in 2002. At the same time he bought a PPI policy which would've paid 10% of his outstanding balance for up to 12 months at a time if he couldn't work due to an accident, sickness or redundancy.

Mr M complains that he didn't know he had PPI. He doesn't remember agreeing to buy it. He says he didn't need it because he had very good work benefits available to him.

Our adjudicator thought that Mr M's complaint should be upheld because Egg didn't draw certain exclusions which might've affected Mr M to his attention. Egg disagrees, so the case has been passed to me to make a decision.

my provisional 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 PPI on our website and I've taken these into account when deciding this case.

I'm intending to uphold Mr M's complaint, but not for the same reason given by the adjudicator.

I think the optional nature of the policy was made clear to Mr M during the application process and he chose to buy it. He couldn't have got through the application process without making a decision about it. And I think that the exclusions referred to in our original assessment were clear enough. I don't think it's something Egg needed to specifically draw to Mr M's attention because it was unlikely to affect a large number of people. Egg didn't advise Mr M to buy the policy so it only needed to make sure Mr M had enough information to make his own decision.

I think where Egg's failings lie is in the way they described the cost to Mr M. They told him on the webpage that the policy would cost 69p for every £100 outstanding on his credit card each month. But they didn't explain clearly that this cost would be added to his balance and he'd pay interest on it. And they didn't explain that he'd have to keep paying the premiums even when he was making a claim.

Mr M told us he had exceptionally good work benefits available to him which I find plausible given his employer. If Mr M had known and understood the whole cost of the policy and not just the headline cost I don't think he'd have seen the policy as good value for money and I don't think he would've thought he needed it. I don't think he'd have bought the policy if he'd realised this. So I think Mr M is worse off as a result of Egg's failings here.

putting things right

Egg should put Mr M in the financial position he'd be in now if he hadn't taken out PPI.

- A. Egg should find out how much Mr M would have owed when he closed his 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.

Egg should then refund the difference between what Mr M owed when he closed his account and what he would have owed if he hadn't had PPI.

If Mr M made a successful claim under the PPI policy, Egg can take off what he got for the claim from the amount it owes him.

- B. Egg should add simple interest on the difference between what Mr M would have owed when he closed his account from when he closed it until he gets the refund. The interest rate should be 8% a year.[†]
- C. If – when Egg works out what Mr M would have owed each month without PPI – Mr M paid more than enough to clear his balance, Egg should also pay simple interest on the extra Mr M paid. And it should carry on paying interest until the point when Mr M would've owed Egg something on his credit card. The interest rate should be 8% a year.[†]
- D. Egg should tell Mr M what it's done to work out A, B and C.

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

my provisional decision

I'm intending to uphold Mr M's complaint but I will consider any further evidence submitted by either party by 4 January 2016 before I make my final decision.

In the event my decision becomes final I will direct Canada Square Operations Limited, trading as Egg, to pay compensation as described above.

Sally Allbeury
ombudsman