

## **complaint**

Mrs S complains she was mis-sold a payment protection insurance (PPI) policy by Premier Writers Ltd (Premier Writers).

## **background**

Mrs S applied for a loan through a finance company during a phone call in 2005. At the same time she took out a PPI policy to cover her repayments. The finance company who sold the loan and PPI policy acted for Premier Writers, so Premier Writers is responsible for how the policy was sold and this complaint.

Mrs S took out a loan of £4,500 over fifteen years. She said she took out the loan for home improvements. Added to the loan amount was £852 for the PPI premium, £182 for a legal and documentation fee and £50 for a broker fee. The PPI policy would've covered Mrs S for the first five years of the loan. Interest of around £1,354.05 was added to the PPI premium, meaning PPI would've cost around £2,206.05 over the fifteen year loan term.

Our adjudicator upheld Mrs S's complaint. He said, in summary, that Mrs S wasn't given the option to decide not to take the policy when it was sold to her.

Premier Writers didn't agree with the adjudicator. It said, in summary, that Mrs S didn't suffer a financial loss through taking PPI as the broker fee she would've been charged was reduced by her taking PPI. So it didn't think it mattered whether PPI was mis-sold or not.

I issued my provisional decision in January 2016. I provisionally found that Mrs S's complaint should be upheld. I also thought Premier Writers needed to pay £1,700.01 to Mrs S to put things right at that time.

I said, in summary:

- I thought it was likely the loan and PPI were agreed during a phone call between Mrs S and Premier Writers;
- I thought Premier Writers gave Mrs S advice, which meant it had to make sure the policy was suitable for her needs and circumstances;
- Mrs S said she was told she had to take PPI, but Premier Writers couldn't give us a recording of the phone call where she took it. It had given us a call script which it said would've been used during sales calls. Although the script was from 2007 I thought it would be broadly similar to the one used in 2005 so I used it as a guide to what would've been discussed;
- I thought the script would've led the adviser to assume Mrs S would end up taking PPI because it tells the adviser to give two quotes which both include PPI and ask the consumer to choose which one suits their budget. The script doesn't tell the adviser to quote without PPI to make the loan more affordable;
- Before they can decline PPI, the consumer must reject at least three quotes including PPI. So I thought the script could lead the consumer to feel pressured into taking PPI, or to think it was just part of the overall package and they had to have it. I couldn't see any

point in the script where the consumer would be specifically asked if they want to take PPI;

- I didn't know if the script used in Mrs S's sale was exactly the same as the script from 2007 but I thought it was unlikely that an earlier version of the script would've made it *more* clear that Mrs S had a choice about taking PPI;
- Premier Writers said that the documents it sent to Mrs S would've made it clear that PPI was optional. But I thought Mrs S would've just relied on what had been said on the phone. And I thought the phone call would've led Mrs S to think she had to take PPI; and
- I didn't think it was made clear that PPI was a separate product and Mrs S had a choice about taking it. I thought Mrs S would've thought it was part of the loan and she had to have it. And I didn't think Mrs S would've taken PPI if she knew she had a choice about it. So I thought Mrs S had lost out because of what Premier Writers did wrong.

Mrs S replied to my provisional decision to say she had nothing to add. Premier Writers didn't reply to my provisional decision.

### **my findings**

I've reconsidered 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, and everything else that's relevant, into account in deciding Mrs S's case.

Mrs S and Premier Writers haven't given me anything else to think about, so I don't see any reason to change my provisional decision. So I'm upholding this complaint for the reasons I set out in my provisional decision.

### **what Premier Writers should do to put things right**

I think Premier Writers Ltd should pay £1,709.30 to put Mrs S in the position she would be in now if she'd taken her loan without PPI.

Because of the way the PPI was added to the loan, it meant the loan was for more than it should've been. It also meant Mrs S paid more than she should've each month. And she also paid more than she should have when she paid the loan off early. So she needs to get that money back.

I've worked out how much Premier Writers Ltd should pay by calculating:

- The difference between what Mrs S paid each month on the loan and what she would've paid each month without PPI

*I've worked this out to be £98.08 (8 x £12.26) <sup>ii</sup>*

- The difference between what Mrs S paid to close the loan and what she would've paid to close the loan without PPI

*I've worked this out to be £864.45 <sup>iii</sup>*

- Simple interest calculated on a yearly basis on the extra Mrs S paid from the date of each payment up until today (the rate of interest is 8% a year) <sup>[iii]</sup>

*I've worked this out to be £746.77. But HM Revenue & Customs requires Premier Writers to deduct tax at the basic rate from any simple interest payments. <sup>[iv]</sup>*

### **my final decision**

For the reasons set out above and in my provisional decision, I uphold Mrs S's complaint. Premier Writers Ltd should follow the instructions on putting things right as I've set out.

The total Premier Writers Ltd should pay before tax is £1,709.30 as it stands at the date of this decision – and after tax that's £1,559.95 to Mrs S with £149.35 passed to HM Revenue & Customs.

If Mrs S accepts this final decision before the deadline noted below, it will be legally binding on both sides. Premier Writers must then pay Mrs S promptly and no later than 28 days after the date of this decision. After this time, the addition of simple interest will resume at £0.37 per day before tax – and after tax that's £0.30 to Mrs S with £0.07 passed to HM Revenue & Customs.

I'd like to remind both sides that the law establishing the Financial Ombudsman Service – the Financial Services and Markets Act 2000 (FSMA 2000) – made an ombudsman's decision legally enforceable in court.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 11 April 2016.

Helen Sutcliffe  
**ombudsman**

---

### **Notes:**

<sup>[ii]</sup> Mrs S borrowed an extra £852 to pay the PPI Premium. Her loan agreement shows Mrs S borrowed £4,500 so with the PPI and other fees that's £5,584. It also shows she'd pay £8,879 in interest on the whole loan if it ran for the full 15 year term. The PPI made up 15.25% of the total loan and so I've assumed 15.25% of the interest (£1,354.05) was down to the extra Mrs S borrowed for PPI. So the total cost of the PPI if it ran for the full 15 year term was £2,206.05. And this meant she'd pay an extra £12.26 a month (£2,206.05/180) on her loan for PPI.

The loan started in November 2005 and Mrs S repaid it in full in July 2006. I've assumed Mrs S made the first payment to the loan in December 2005, a month after it started. This means she would've made a total of eight payments before paying off the loan. I've assumed

---

the interest rate stayed the same throughout.

*/iii/* Using Microsoft Excel and applying the 'rate' function to the figures above – I estimate the interest rate to be 15.57%.

Mrs S paid £98.08 over eight months (8 x £12.26) to the loan for the PPI. With an interest rate of 15.57%, it meant she paid £88.67 in interest and £9.41 towards what she borrowed for the PPI. So £842.59 was left to pay for the PPI. She also had to pay two months' extra interest on this amount, £21.86. So she had to pay an extra £684.45 to close the loan because of the PPI

*/iiij/* Simple interest is calculated by multiplying each payment amount (£12.26 every month for eight months beginning December 2005) by the daily interest rate (8%/365) and by the number of days between when payment was paid and the day it is paid back.

*/iv/* The total simple interest Premier Writers Ltd should pay before tax is £746.77 – and after tax that's £597.42 to Mrs S with £149.35 passed to HM Revenue & Customs.