

complaint

This complaint concerns a regular premium payment protection insurance policy ('PPI') sold by The Royal Bank of Scotland Plc ("RBS") to Mrs A in conjunction with a Mint credit card taken out in 2004. Mrs A says the PPI policy was mis-sold.

background

I have attached my provisional decision from 16 April 2014, which forms part of this final decision.

In my provisional decision I set out why I was not minded to uphold this complaint and invited Mrs A and RBS to submit further representations before I finalised my views. Both parties have confirmed receipt of the decision and say that they have no further submissions they wish to make at this point.

my findings

As I have no new points to consider, I have looked again at my provisional decision and, for the reasons I gave within the decision, I remain satisfied of the findings that I made.

my final decision

For the reasons given above and within my provisional decision, I do not uphold this complaint or make any award against The Royal Bank of Scotland Plc.

Christian Wood
ombudsman

COPY OF PROVISIONAL DECISION

complaint

This complaint concerns a regular premium payment protection insurance policy ('PPI') sold by The Royal Bank of Scotland Plc (referred to as 'RBS' in this decision) to Mrs A in conjunction with a Mint credit card taken out in 2004. Mrs A says the PPI policy was mis-sold.

background

Mrs A took out a credit card with RBS in 2004 with PPI being sold at the same time. The policy was designed to assist with Mrs A's credit card repayments in the event that she was unable to work through accident, sickness or unemployment as well as provide cover in the event of death.

Mrs A has said that the policy was mis-sold as she did not realise RBS was adding PPI to her credit card account. Our adjudicator's assessment was that the PPI policy had been mis-sold, as Mrs A was working on a fixed term contract at the time of sale and the policy's terms in this area would have put Mrs A off purchasing the policy. As RBS has disagreed with the adjudicator's assessment, the matter has been referred to an ombudsman for a final decision.

my provisional findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. In doing so, I have taken into account the law and good industry practice at the time the policy was sold.

It seems to me the relevant considerations in this case are materially the same as those set out in our well-established general approach to complaints about the sale of PPI, which is published on our website. The key questions I need to consider are:

- whether RBS gave Mrs A information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the insurance she was buying; and
- whether in giving any advice, RBS took adequate steps to ensure that the product it recommended was suitable for Mrs A's needs.

If RBS did something wrong when selling the policy, I then need to consider whether Mrs A would have acted differently if it had not done so.

However, before I consider these questions, I will address Mrs A's complaint that she was unaware that PPI was being added to her account.

was Mrs A aware that she was taking out her PPI policy?

Mrs A says she cannot remember how the policy was sold, which is understandable as the policy was sold some time ago. However, RBS has provided the postal application form which was signed by Mrs A. Looking at this form, I note that there is a payment protection section which contains the following text box:

PLEASE NOTE: Your monthly repayments will not be protected unless you take Payment Protection cover (see details enclosed).

YES, please protect my repayments now

It appears Mrs A ticked this section indicating she wanted to take out PPI. I accept there was no 'No' option that Mrs A could have ticked to say she did not want to take out PPI, but Mrs A could have left the box blank and PPI would not have been added to her card.

So I am satisfied it is more likely than not that Mrs A had a choice about taking out the PPI policy. Mrs A has also ticked boxes to request a balance transfer and card registration cover, but has left the box for cashback blank. This suggests to me that Mrs A gave the application form more than cursory consideration and that she was aware she did not have to tick for all of the additional products offered by RBS.

So now I will turn to the questions I raised at the outset.

did RBS provide advice or a recommendation?

As this was a postal application, and as neither party has suggested any conversations took place, I think it most likely that the policy was sold on a 'non-advised' basis. Therefore, RBS did not need to ensure the policy was suitable for Mrs A's needs – that was a decision Mrs A needed to make for herself – but it was responsible for ensuring that it gave Mrs A clear, fair and not misleading information to enable her to make an informed purchasing decision.

did RBS meet Mrs A's information needs?

From the evidence I have seen I am not persuaded that Mrs A was provided with sufficient information to enable her to make an informed choice about her PPI policy. For example, the application form signed by Mrs A makes no reference to the level of benefit provided by the PPI, nor its cost (or even that there was a cost). I accept that the application form refers Mrs A to an enclosed leaflet for further information, but there is nothing to suggest that this leaflet contains important information. I find it plausible, therefore, that Mrs A may not have seen some important information relating to the policy prior to taking it out.

It follows that I must go on to consider whether or not Mrs A would have acted differently (and decided not to take out the policy) had clearer information been provided by RBS.

would Mrs A have bought the policy despite information failings?

My view is that Mrs A would have still bought the policy had RBS provided clearer information. I say this because:

- Mrs A's age and residency meant she was eligible for the policy. And nothing Mrs A has told us suggests she would have been caught by the policy's main exclusions or limitations (for instance, those relating to pre-existing medical conditions).
- The main benefit of the policy was payment of 10% of the outstanding credit card statement balance for up to 12 months in the event that she was unable to work through accident, sickness or unemployment. It also provided clearance of the outstanding balance on death. The cost was 77p per £100 of outstanding credit card balance. This was a relatively competitive policy in the market place at that time.
- The PPI would have covered Mrs A if she was unable to work through sickness, accident and unemployment for up to 12 months. Given that Mrs A did not have any savings or other insurance policies to rely on in the event of being unable to work, my view is that someone in her circumstances would have found some value in the cover provided.

Whilst I cannot know what Mrs A would have done, my view is that someone in Mrs A's circumstances would have viewed the policy as value for money if they had properly understood its costs and benefits. I therefore find it more likely than not that Mrs A would have still chosen to purchase the insurance had she been provided with clearer information.

would Mrs A's employment arrangements have put her off taking out the policy?

Mrs A was working on a fixed term contract when she took out the PPI policy. Our adjudicator's assessment was that Mrs A's complaint should be upheld as the circumstances under which a person on a fixed term contract could make a claim were limited, and that this information was not made clear to Mrs A.

I have looked at the PPI certificate of insurance which states:

"We will not pay unemployment benefits: ...if you work on a fixed term contract which ends unless you have been in continuous work with the same employer for at least 24 months and your contract has been renewed at least twice and you have no reason to believe it will not be renewed again..."

Mrs A has provided details of her employment arrangements, from which I can conclude the following:

- Mrs A had been employed at the same employer for a little under four years at the time she applied for the PPI policy – ie more than the 24 months stipulated in the policy document.
- Mrs A would have renewed her contract at least three times before taking out the PPI policy in 2004 – ie more than the two times stipulated in the policy document.
- Whilst I cannot be certain whether Mrs A had reason to believe her contract would not be renewed when she was taking out her PPI, the fact that there had been at least three renewals by the time of sale means it is more likely than not that Mrs A would have thought it would be renewed again.

Therefore, I am satisfied that Mrs A would have been eligible to make an unemployment claim. The information provided by RBS could have been clearer in this regard as it was only contained in a densely worded policy document. However, I do not feel clearer information would have put Mrs A off from taking this policy as it would have just confirmed her eligibility and, for the reasons outlined above, my view is that someone in Mrs A's circumstances would have considered the policy as value for money. Given this, I have reached a different conclusion to our adjudicator and I do not uphold Mrs A's complaint on this basis.

summary

In conclusion, I find that RBS did make Mrs A aware that she was purchasing PPI and that she consented to doing so. Whilst the information provided by RBS was not sufficiently clear to enable Mrs A to make an informed choice regarding PPI, I am satisfied that she was not made worse off as a result – that is, Mrs A would have still taken out the policy if there had been no shortcomings in this area.

I am therefore minded to not uphold this complaint.

my provisional decision

For the above reasons I do not intend to uphold this complaint and make no award against The Royal Bank of Scotland Plc.

I now invite both parties to provide me with any further submissions they wish to have taken into account, before 16 May 2014, after which I will issue my final decision.

Christian Wood
ombudsman