

complaint

This complaint is about a personal loan taken out with National Westminster Bank Plc ("NatWest"), and the payment protection insurance (PPI) policy arranged with it. Mr and Mrs L complain that, because the PPI was mis-sold to them – a conclusion they apparently reached after an attempted claim did not succeed – the loan too was mis-sold. They say they would not have taken the loan without insurance.

background

The adjudicator who considered the complaint was not persuaded to uphold it. He explained that even if Mr and Mrs L had not taken out the loan, they would still have been in debt, because the loan was taken out to consolidate existing liabilities.

Mr and Mrs L asked for their complaint to be reviewed, maintaining that the inability to make a claim in 2011 was proof the PPI policy was not fit for purpose. Without the PPI, there was benefit to them in taking out the loan.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have come to the same overall conclusions as the adjudicator, and for much the same reasons.

I should explain that this decision is not about whether the PPI itself was mis-sold. That is not the complaint we have been asked to consider. In any event, NatWest has agreed to treat the policy as if it had been mis-sold, and offered Mr and Mrs L redress, which I understand they have accepted. Any comment I make about the suitability or otherwise of the policy is in the context of the underlying complaint that the *loan* was mis-sold.

Mr and Mrs L's logic, if I have understood them correctly, appears to be that, because Mr L could not make a claim on the policy in 2011, it must have been unsuitable, and that because they would not have taken the loan without PPI, the loan too must have been mis-sold. However, NatWest has told us that, according to the insurer, it never received a claim form from Mr L.

If that is true (and I note that Mr and Mrs L have not contradicted this when it was presented to them in the adjudicator's assessment), then I am not persuaded that the argument Mr and Mrs L present for the PPI being unsuitable – and by extension for the loan being mis-sold – stands up to close scrutiny. Of course, I cannot say whether a claim would have been successful if Mr L had submitted it, but if the PPI was unsuitable – and as I have said, I have made no formal findings on this either way – I cannot conclude that it was so for the reason Mr and Mrs L have stated.

As to the loan, to the extent that it was apparently set up with the intent of repaying debts that already existed, then it is difficult to conclude that Mr and Mrs L have been prejudiced by taking it out. To put them back in the position they were in before the loan was taken out – the remedy we seek to apply in such circumstances – would necessitate the recreation of the debts they had before the loan was granted, with the accounts for those debts then being reconstructed from the point of sale up to the present time. This would involve the retrospective replacement of the loan repayments Mr and Mrs L have made with the

payments they would have made to the “old” debts in the intervening years if those debts had remained active.

I cannot say whether such an exercise – assuming it were practical or even possible to do so - would be to Mr and Mrs L’s advantage, but given that they apparently wanted the loan at the time, it seems reasonable to conclude that the consolidation of debt was beneficial to them, and that unwinding it retrospectively would not be. Overall, for these reasons, I do not find that the loan was mis-sold

Latterly, I note that in asking for the complaint to be reviewed, Mr and Mrs L enquired into the possibility that, following a serious illness to Mr L, it may be possible to benefit under the critical illness provisions of the policy. However, events have largely overtaken the question. By claiming that it was mis-sold, and accepting redress when it was offered to them, Mr and Mrs L have rendered that a moot point.

Mr and Mrs L elected to pursue a mis-selling claim (which of course they were fully entitled to do) and chose to accept the redress when it was offered. Unless they were now willing to renounce that claim, return the redress to NatWest with a request that the policy be reinstated, and a claim submitted to the insurer (with no guarantee that it would be paid), then in all practicality it does not seem to me that this is an avenue Mr and Mrs L could reasonably and fairly pursue.

my final decision

My final decision, for the reasons set out above, is that I do not uphold this complaint, and make no order or award in Mr and Mrs L’s favour.

Jeff Parrington
ombudsman