

complaint

Mr and Mrs M say ACF Car Finance Limited (ACF) mis-sold them a payment protection insurance (PPI) policy with a loan.

background

In 2005 Mr and Mrs M took out a loan through ACF to buy a car. ACF also advised Mrs M to buy PPI.

Mr and Mrs M borrowed extra to pay for the policy, which was added to their loan and was repaid, along with interest, over the term.

Our adjudicator upheld Mr and Mrs M's complaint. She didn't think ACF had made it clear to them that they had a choice about buying PPI, and she thought that ACF hadn't made the policy cost clear enough.

ACF disagrees and so the complaint has come to me. This is the final stage of our process.

my 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 the sale of PPI on our website and I've taken this into account in deciding this case.

I've decided to uphold this complaint. I don't think ACF made it clear to Mr and Mrs M, as it should've done, that they had a choice about buying PPI.

Mr and Mrs M say they weren't given a choice about the PPI and thought it was a condition of getting the loan.

ACF says it did make it clear that there was a choice. It says the loan was agreed over the phone before Mr and Mrs M came to the showroom to look at cars and before PPI had been discussed. So it thinks they'd have known it wasn't compulsory. But, at the time of the call, Mr and Mrs M hadn't even chosen a car, let alone finalised the details of the loan – so I don't think this is likely to have been clear to them when they went into the showroom.

ACF says the sales script its adviser would've used when Mr and Mrs M came to the showroom says the PPI was optional. I don't know how closely the adviser followed the script. But, in any case, all the script says is that, after the test drive, the adviser would tell them about the "*optional range of products we have and recommend various product packages, things like a warranty for the vehicle, that you will be eligible for and may wish to purchase*". There's nothing specific here, or elsewhere in the script, about PPI. And there's nothing to show that the adviser would've given Mr and Mrs M a clear choice about whether or not to buy PPI.

ACF says the loan agreement Mr and Mrs M signed also says the PPI is optional. It does. But it's set out in the small print and isn't at all prominent. I think it's likely Mr and Mrs M were in a busy sales environment when they signed the loan agreement, with lots going on.

And their reason for being there was to buy a car. So I think this is a detail they could very easily have missed.

Finally, ACF has given us a copy of the demands and needs statement. But there's nothing on it to say the PPI is optional.

Our adjudicator also found that the costs of the policy weren't made clear enough. But I'm not going to comment on that here. Having looked at all the evidence, I don't think Mr and Mrs M understood that the policy was optional, and that's enough for me to uphold this complaint on that point alone.

I think Mr and Mrs M have lost out because of what ACF has done wrong, and so it needs to put things right.

what ACF must do to put things right

Mr and Mrs M borrowed extra to pay for the PPI, so their loan was bigger than it should've been and they paid more than they should've each month. So Mr and Mrs M needs to get back the extra they've paid.

So, ACF should:

- Work out and pay Mr and Mrs M the difference between what they paid each month on the loan and what they would've paid each month without PPI.
- Add simple interest to the extra amount Mr and Mrs M paid each month from when they paid it until they get it back. The rate of interest is 8% a year[†].

If Mrs M made a successful claim under the PPI policy, ACF can take off what she got for the claim from the amount it owes.

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

my final decision

I uphold Mr and Mrs M's complaint and direct ACF Car Finance Limited to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 4 January 2016.

Clair Bantin
ombudsman