Mr and Mrs D say Principality Building Society mis-sold them a payment protection insurance (“PPI”) policy.

background

The monthly premium PPI policy was taken out shortly after Mr and Mrs D applied for a mortgage in April 2001.

Our adjudicator upheld the complaint, but Principality disagreed with the adjudicator’s opinion so the complaint has been passed to me.

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 Mr and Mrs D’s complaint because:

- The information Principality gave Mr and Mrs D about the exclusion for pre-existing medical conditions wasn’t as clear as it should have been. I say this because the declaration they signed only excluded conditions for which treatment had been received, or was required. Whereas the policy document also excluded conditions about which they knew. I think this would have mattered to Mr and Mrs D because Mrs D had a medical condition which the policy would not have covered, even though she had received no treatment for it. So she might not have been able to claim on the policy in all the circumstances she had expected.

I think Mr and Mrs D have lost out as a result of Principality’s failings in this case, because I don’t think they would have taken out the policy if they’d been properly informed.

I’ve taken into account Principality’s comments, including what it said about the health questionnaire that Mr and Mrs D completed. But this point doesn’t change my conclusion.

fair compensation

Mr and Mrs D should be put back in the position they would have been in now if they had taken out the mortgage without the PPI policy. So Principality should:

A. Refund to Mr and Mrs D all the premiums they paid to the PPI policy

B. Pay Mr and Mrs D interest at 8% per year simple† on each premium from the date it was paid until the date compensation is paid.

† I understand Principality is required to deduct basic rate tax from this part of the compensation. Whether Mr and Mrs D need to take any further action will depend on their financial circumstances. More information about the tax position can be found on our website.

Mr and Mrs D should refer back to Principality if they are unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

my final decision

For the reasons set out above, I uphold Mr and Mrs D's complaint.

I require Principality Building Society to pay Mr and Mrs D compensation in accordance with the calculations of redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 19 February 2016.

Amanda Williams
ombudsman