

complaint

Mrs M says National Westminster Bank Plc (NatWest) mis-sold her a single premium payment protection insurance (PPI) policy in 2006.

NatWest has offered Mrs M compensation for mis-selling her the policy but she isn't happy with NatWest's offer.

background

In March 2006 Mrs M took out a £5,000 loan with NatWest, at the same time she was sold a single premium PPI policy. The premium for the PPI policy was £1,326 which was added to Mrs M's loan so it would attract interest. The loan and the PPI policy were arranged during a meeting.

In 2012 Mrs M complained to NatWest about the way the policy had been sold to her. NatWest didn't agree that it'd done anything wrong so Mrs M asked us to step in.

Following our involvement NatWest said it was prepared to make Mrs M an offer of compensation. But NatWest said it still thought Mrs M had a need for PPI. It said a policy paid for with a single premium might not have been right for Mrs M. So it offered to pay back the difference in cost between what she paid and what she would've paid if she'd been sold a PPI policy where the premiums were paid monthly.

One of our adjudicators looked at the complaint and didn't think NatWest's offer was fair. They thought NatWest hadn't made it clear that PPI was a separate and optional product. And they thought this would've been the case even if it were a monthly premium policy. So they thought NatWest should give a full refund for PPI.

NatWest didn't agree with the adjudicator's findings so the complaint's 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 Mrs M's case.

I don't think NatWest's offer is fair so I'm going to tell it to do something else to put things right.

It's agreed the policy was sold during a meeting. And it's also agreed that NatWest didn't give Mrs M advice. But even so, NatWest still had to give Mrs M information about the PPI policy that was clear, fair and not misleading so she could make a fair choice about buying it.

did NatWest provide Mrs M with a fair choice about buying PPI?

Mrs M says it wasn't made clear to her the policy was optional. NatWest says it discussed PPI with Mrs M and she chose to take it out. It points to Mrs M's signed loan agreement and "loan opening form" that show she signed separately for PPI. It's also said it would've gone through a 'duty of care checklist' with Mrs M setting out the main features of the policy and giving her a choice about taking it out.

I've looked at the signed loan agreement and opening form and these do show that Mrs M *did* sign separately for PPI, but I can see that PPI was already included on the face of the loan agreement. NatWest also gave us a copy of a leaflet setting out its sales process at the time. I've read this and I can see the process was to automatically include the PPI premium in the loan quote given during the meeting. And I can see that the quotation would've been given *before* PPI was even discussed or mentioned. From that I think it's likely Mrs M would've thought PPI was part of the loan and not an optional, separate product. So she might have ticked and signed separately for PPI without realising it was optional.

And NatWest hasn't provided the "*duty of care checklist*" that it says Mrs M would've signed if she'd gone through the normal sales process. But I see this too would only have been shown to Mrs M after the quotation that included PPI. So I don't have enough evidence to say the optional nature of PPI was made clear. It follows I don't think Mrs M was given a fair choice about taking out PPI. For this reason I'm upholding Mrs M's complaint about the sale of the PPI policy.

can NatWest take the cost of a monthly premium PPI policy off Mrs M's compensation?

The Financial Conduct Authority ("FCA") sets out how businesses should look at complaints about mis-sold PPI. The FCA has said that if businesses think someone would've bought a policy paid for by a monthly premium instead of a single upfront premium added to their loan, the business can put that person in the position they would've been in if they'd bought a monthly premium policy. This involves refunding the difference between the two kinds of policy. This type of refund is called "alternative redress".

In effect NatWest is allowed to offer "alternative redress" when the reasons it mis-sold a single premium PPI policy wouldn't apply if the policy was paid for by monthly premiums. In this case I don't think Mrs M was given a fair choice about taking out PPI. And it wouldn't make any difference whether it was paid for by a single premium or monthly premiums. It follows NatWest can't use "alternative redress" to calculate Mrs M's compensation. So I think NatWest needs to do something different to put things right.

what NatWest needs to do to put things right

Mrs M borrowed extra to pay for the PPI, so her loan was bigger than it should've been. She paid more than she should've each month and it cost her more to repay the loan than it should've done. So Mrs M needs to get back the extra she's paid.

So, NatWest should:

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

- If Mrs M made a successful claim on the policy then NatWest can take off what she got from the insurer from the amount it owes her.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mrs M a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons set out above I uphold Mrs M's' complaint and direct National Westminster Bank Plc to pay her compensation as set out above.

National Westminster Bank Plc shouldn't make any deduction for an alternative monthly premium policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 8 April 2016.

Steve Thomas
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