

complaint

Mr and Mrs B complain about a single premium payment protection insurance policy (“PPI”) added to their loan account by Nationwide Building Society (“Nationwide”). They approached Nationwide for a loan to fund home improvements in December 2003. They complain that they were mis-sold the PPI by Nationwide.

background

Mr and Mrs B complained to Nationwide who did not uphold their complaint. Upon bringing their complaint to this service the adjudicator in this case decided to not recommend the complaint be upheld. Mr and Mrs B don't agree so I now need to consider it and make a final decision.

my findings

I have included only a brief summary of the complaint above, but I have considered all of the available evidence and arguments from the outset in order to decide what is fair and reasonable in the circumstances. In doing so, I have also taken into account the law and good industry practice at the time the policy was sold.

The key questions I will consider in this case are as follows:

- Whether Nationwide gave Mr and Mrs B information that was clear, fair and not misleading in order to put them in a position where they could make an informed choice about the insurance they were buying.
- If Nationwide was giving advice or making a recommendation, whether it took adequate steps to ensure the product being recommended was suitable for Mr and Mrs B's needs.

If there were shortcomings in the way in which Mr and Mrs B were sold the policy, I will also consider whether they are worse off as a result: that is, would they have done something differently – such as not taken out the policy – if there had been no shortcomings.

I have decided to not uphold Mr and Mrs B's complaint. I explain why below.

basis of sale?

Nationwide says that the sale took place on a non-advised basis. Mr and Mrs B disagree and maintain that they were advised to take the policy. While I accept that the benefits of the policy may have been discussed during the sale, I cannot safely say that this sale was advised. This is because I cannot see anywhere within the documentation from the sale that a personal recommendation was given to Mr and Mrs B. As this was a non-advised sale, Nationwide had to ensure that the information it gave to Mr and Mrs B about the PPI was clear and fair. It was therefore for Mr and Mrs B, not Nationwide, to decide whether at the time of sale the PPI met their particular needs.

did Mr and Mrs B have a clear choice about the PPI they purchased?

Mr and Mrs B complain that they were not informed the PPI was optional. Nationwide have told me the policy was optional and have provided the loan agreement from the sale to support their case. Having seen this agreement, I can see that it presents PPI as optional by

referring to it as “*Optional Credit Insurance*” in bold above the table outlining the costs. It appears that Mr and Mrs B were aware of the PPI being added to their loan account and have signed on this basis. Furthermore, I am not persuaded that Mr and Mrs B’s complaint that they were not informed the PPI was optional is consistent with their recollection of being told “*it was best to take the PPI out*”. This to me appears to be language that is consistent with the sale of an optional product. I am therefore satisfied that Nationwide made Mr and Mrs B aware of the optional nature of the PPI.

was the information presented in a clear and fair way?

I cannot be sure that the terms, conditions, costs and benefits would have been made sufficiently clear to Mr and Mrs B at the point of sale, or that this information would have been provided to them at a later date. I say this because Nationwide have referred me to their generic sales guide for this product but I cannot establish in any way that this was followed. There is no documentation from the sale other than the loan agreement. However, before I can uphold a complaint I need to be satisfied that these failings caused Mr and Mrs B detriment. That is to say that if they had been provided with all of the information about the product they would not have gone ahead with the purchase of the policy.

I have to evaluate this sale based upon the information I have. As such I look to the loan agreement, policy documentation and terms; what I have been told by both parties and the circumstances of Mr and Mrs B at the time.

I would like to begin by addressing Mrs B’s circumstances in relation to the policy. Mrs B has told me she has suffered from a medical condition for the past 25 years and requires constant treatment. While it is clear from what she has told me that she was suffering from a medical condition at the time of the sale, it must be noted that the policy was taken out only in Mr B’s name. The PPI would only have covered Mr B and the cost of the cover also reflected this. This means that Mrs B’s circumstances in this respect (including the fact that she was not employed) would have no effect on the cover the policy provided to Mr B.

As for Mr B, having examined his circumstances at the time of the sale, I cannot say that he would have done anything differently if he was provided with all the information. I explain why below.

At the time of the sale Mr B was employed and working in a full time position and had been for five years. He was also aged between 18 and 65 years of age. As such, he was eligible for the policy. Furthermore, he has confirmed that he was not suffering from any medical conditions at the time of the purchase. I can see that he would not have been caught therefore by the terms and conditions which would usually limit the benefits available from the policy.

If the information was provided in a clear and fair fashion, it would have simply revealed to Mr B that he was eligible for the cover and that he could expect to benefit in full from the protection the policy provided. Mr B’s circumstances at the time also suggest that he had a need for PPI despite his workplace benefits and other available means.

Mr B has told me that he would have been paid for “*12 months or more*” in the event of accident and sickness and that he had savings and could rely on help from family. While I do not know if the benefit his employer offered was full pay, half pay or a combination of both,

I do know that PPI would have paid alongside the means he already had of making his repayments and am persuaded that it would have been of benefit to him. The PPI would have provided him with a monthly benefit equal to that of the loan repayment and PPI cost for up to 12 months in the case of unemployment, or up to a period of 60 months in the case of disablement due to accident or sickness. The PPI also provided life cover and would have settled the outstanding loan balance in the event of Mr B's death. After exhausting his sick pay and savings, Mr B may well have struggled to meet the monthly loan repayments. In any case, the PPI would have provided him with welcome breathing space if he was unable to work and would also have ensured his savings were preserved.

As this was a non-advised sale it was for Mr B to consider his circumstances at the time and I am persuaded, given the duration of the loan at the outset, that even if the benefits were not fairly disclosed to him, the PPI provided him with real benefits that he would have found useful. The cost of the policy was also clearly explained on the loan agreement and I have not seen any evidence to suggest it was prohibitively expensive for him. I cannot say therefore that had he been provided with further information about the policy's costs and benefits, he would have decided against purchasing it.

Ultimately, I am satisfied that Mr and Mrs B would have known they had a choice over taking out this policy. And I don't think being given clearer information about it would have affected the decision to take it out.

my final decision

I do not uphold this complaint and I make no award against Nationwide Building Society.

Daniel Lucas
ombudsman