

## **complaint**

This complaint concerns a regular premium payment protection insurance (PPI) policy taken out in conjunction with a credit card in 2006. Miss C complains that the PPI was mis-sold by Creation Financial Services Limited (Creation).

## **background**

I have attached my provisional decision from October 2013, which forms part of this final decision. In my provisional decision I set out why I was minded to uphold Miss C's complaint. I invited both parties to provide any further submission they may wish to make before I reached a final decision. Creation has come back with some points that I will address below.

## **my findings**

I have reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Creation are disappointed that I have made an 'assumption' that Miss C's parents would help her with her credit card repayments if she were in difficulty. A consumer's testimony that they would receive assistance from family or friends if they were having financial difficulty, would only rarely be enough to persuade me that they didn't have some need for PPI. However, in the very particular circumstances of this case, I am in fact persuaded that her parents would have helped her.

Creation say that, should a claim have been made on the policy, it could have provided Miss C with the necessary protection. I agree that this would probably be the case. But the issue is whether Miss C, having understood the cost of the policy and all the other main features at the point of sale, would have decided that she wanted to buy it, because it had a value to her in her particular circumstances. I take the view that she wouldn't have bought it.

## **my final decision**

For the reasons set out above, I determine this complaint in favour of Miss C. I require Creation Financial Services Limited to pay Miss C fair compensation in accordance with the calculation of redress set out in the provisional decision below.

Carole Clark  
**ombudsman**

## **COPY PROVISIONAL DECISION**

### **complaint**

This complaint concerns a regular premium payment protection insurance (PPI) policy taken out in conjunction with a credit card in 2006. Miss C complains that the PPI was mis-sold by Creation Financial Services Limited (Creation).

### **my provisional findings**

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

It seems to me that the relevant considerations in this case are materially the same as those set out in the section of our website explaining how we deal with PPI complaints.

The overarching questions I need to consider are whether Creation gave Miss C information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the PPI she was buying and, whether in giving advice or recommendation, Creation took adequate steps to ensure that the product was suitable for Miss C's needs.

If there were shortcomings in the way the policy was sold, I will consider whether they affected Miss C's position and whether she would have acted differently if there had not been any shortcomings.

The sale of the PPI occurred when Miss C rang Creation to activate her card. She says that she was never informed that she could opt out of having PPI. However, listening to the recording of the sales call, it is clear that Miss C agreed to have cover added to her account.

Both parties agree that the sale was non-advised, therefore I am happy to proceed on that basis. As a non-advised sale, Creation didn't need to ensure that the policy was suitable for Miss C's particular circumstances. However they still needed to provide information that was clear, fair and not misleading in order for Miss C to make an informed choice about whether she wanted to buy PPI or not.

I am mindful that the policy did not only provide the typical payment protection insurance benefits of accident sickness and unemployment, but it also offered 'Price Protection (that would refund the difference if the goods were found cheaper elsewhere) and 'Purchase Protection'(cover for loss, theft or accidental damage on purchases made on the account.) So I've had to weight up the value that Miss C might have placed on the policy overall.

The adjudicator has upheld Miss C's complaint on the basis that the costs and benefits weren't made clear enough during the sales call, and I basically agree with that assessment.

Creation argues that the cost was discussed and it's true to say that the advisor explains that the policy will cost 1.5p of every pound of outstanding balance for a benefit of 10% of the monthly balance being paid. But I am not persuaded that the ongoing cost of the PPI would have been clear to Miss C. In particular, it was not made clear that she would have to continue paying the PPI premiums during a successful claim, which would have the effect of reducing the value of the 10% benefit provided by the policy.

The adjudicator took the view that, if Miss C had understood the costs and benefits fully, she would not have taken out the policy and again, I agree with this assessment.

This was the first credit card that Miss C had taken out. She was living with her parents at the time and she says that they would have made her repayments if she had been unable to do so. I don't know what Miss C's credit limit was, but looking at the statements that have been provided, I can see that the outstanding balance, and therefore the monthly repayments, were relatively small. In the particular circumstances of this case, I am persuaded that her parents would have helped her out with the repayments if required.

So looking at Miss C's circumstances, I take the view that she had no real need for the policy at the time of the sale, and therefore probably wouldn't have taken it out if she'd had a fuller understanding of the costs and benefits.

I have other concerns about the way in which Creation sold the PPI policy to Miss C, in particular, the speed at which the advisor spoke during the sales call made it difficult to absorb anything that he was saying and I seriously doubt whether Miss C had any real understanding of what she was agreeing to. However, I am satisfied that the failure to provide sufficient information about costs is enough in itself to uphold the complaint and I therefore do not consider it necessary to make a finding on any other grounds.

It follows that I uphold Miss C's complaint and make an award against Creation.

#### **fair compensation**

My understanding is that the card account is still open but that the policy has been cancelled. Miss C should be put back in the position she would have been in now if she had taken out the card without the PPI policy. So Creation should:

- A. Carry out a hypothetical reconstruction of the credit card account to find out what the current balance of the credit card account would have been if Miss C had paid the same monthly payments, but the PPI policy had *not* been added to it.

This will involve Creation removing the PPI premiums, any interest that was charged on the premiums and any charges (and interest on those charges) that would not have applied if the PPI had not been added to the account.

Creation should then pay Miss C the difference between the current balance and what the current balance would have been without PPI.

- B. Pay Miss C interest at 8% per year simple<sup>†</sup> on any credit balance for any periods when the reconstructed account would have been in credit for the period it would have been in credit.
- C. Set out in writing to Miss C how it has calculated the compensation in A and B.

<sup>†</sup> I understand Creation is required to deduct basic rate tax from this part of the compensation. Whether Miss C needs to take any further action will depend on her financial circumstances. More information about the tax position can be found on our website.

Miss C should refer back to Creation if she is unsure of the approach it has taken and both parties should contact HM Revenue and Customs if they want to know more about the tax treatment of this portion of the compensation.

#### **my provisional decision**

Based on the evidence provided to me by both parties, and reflecting upon what is most likely to have happened, I am currently persuaded that the complaint should be upheld and that Creation Financial Services Limited should compensate Miss C as outlined above. I currently intend to make no further award against Creation Financial Services Limited.

I now invite both parties to provide any further submission they may wish to make, in writing before 8 November 2013, after which I will issue my final decision.

Carole Clark  
**ombudsman**