**complaint**

Mrs V has complained about a payment protection insurance (PPI) policy sold to her by the bank in 2005.

**background**

Mrs V wanted to borrow £5,000 to pay for a holiday. She had a discussion with a representative of the bank, after which she took out a seven-year loan and a PPI policy. The PPI covered the seven years of the loan, and Mrs V borrowed an extra £1,851.45 to pay for it.

At the time Mrs V was 58 and worked for her local council. She was entitled to some sick pay and was due to retire at 60.

Our adjudicator upheld Mrs V's complaint. She didn't think the PPI was suitable for Mrs V because she was close to retirement when it started.

**my findings**

I've considered everything that Mrs V and the bank have told us to decide what is fair and reasonable in this complaint.

We've set out our general approach to complaints about the sale of PPI on our website and I've used that approach in Mrs V's case.

I've decided to uphold Mrs V's complaint because:

- The policy was meant to cover Mrs V for accident, sickness or unemployment for the seven years of the loan. But Mrs V was only 18 months away from her planned retirement date when she bought it. If Mrs V had become unemployed within those 18 months, she may well have decided to retire early. If that had happened, she wouldn't have been able to claim the unemployment benefit because the policy said she would need to be looking for work in order to claim.

- Mrs V would only have had a need for the accident and sickness benefit for the first 18 months of the policy. This is because when she retired she would no longer have an income to protect. And she would have to successfully claim for every one of those first 18 months to get back the cost of the PPI.

- Mrs V had to pay for the policy in full at the start. If she cancelled it after more than 30 days, she wouldn't have got a full refund for the cover she hadn't used. Mrs V was going to retire 18 months after taking out the policy, and might not have needed the cover at that point.

I don't think the bank properly took these circumstances into account when recommending the policy. The policy was of limited use to Mrs V and unlikely to have been value for money. And it wasn't flexible because she couldn't cancel it early, without significant cost, when her circumstances changed. So I don't think Mrs V would have agreed to take out the policy if she had been properly advised and informed.

**fair compensation**

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

So, the bank should:

- Work out and pay Mrs V the difference between what she paid each month on the loan and what she would’ve paid without PPI.

- Work out and pay Mrs V the difference between what it cost to pay off the loan and what it would have cost to pay off the loan without PPI.

- Add simple interest to the extra amount Mrs V paid each month from when she paid it until she gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on[†].

- If Mrs V made a successful claim under the PPI policy, the bank can take off what she got for the claim from the amount they owe her.

[†] HM Revenue & Customs requires the bank to take off tax from this interest. The bank must give Mrs V a certificate showing how much tax they’ve taken off if she asks for one.

**final decision**

I uphold this complaint and the bank must pay Mrs V fair compensation as set out above.

**ombudsman**