> ... *we can only meet consumers' expectations if financial businesses work with us*

Natalie Ceeney, chief executive and chief ombudsman

ombudsman news

essential reading for people interested in financial complaints – and how to prevent or settle them

changing times, changing service

In this issue of *ombudsman news*, our lead ombudsman, Jane Hingston, talks about an "experimental" casework project that's started to make us think about things rather differently. We recognised that, in an e-money world, customers increasingly expect their problems to be solved instantly. So we decided to see if we could do this for certain disputes.

By working with some leading financial businesses in the relevant sectors, we managed to achieve what we set out to do – resolving half the problems consumers brought us in fewer than 14 days. In fact, we resolved one dispute in just over 10 minutes! Of course, it was as vital as ever that we also maintained high standards of fairness and impartiality.

But we were able to do things differently because we – and the businesses involved – worked differently.

As I look around, I can see the demand for "instant resolution" growing. Within hours of something happening, questions are now being asked very publicly about how customers' problems will be dealt with.

▶

Financial Ombudsman Service

scan for previous issues

in this issue

I'm thinking, for example, about the issues involving Halifax's withdrawal of pet insurance – and the widespread public concern about the practical problems caused by RBS's IT troubles earlier this summer. Contrast that with ten years it took for public awareness to build about the extent of PPI mis-selling.

Meeting the demand for rapid resolution of problems will challenge us all. And for those complaints that reach the ombudsman service, we can only meet consumers' expectations if financial businesses work with us. We've seen from our experiment that this is achievable. So I'm really pleased that RBS have agreed to work with us in this new way, to help resolve their customers' problems caused by the IT failure. They've agreed to create a team dedicated to sorting out complaints quickly – giving customers answers in days or a few weeks – not months.

It's early days, and in most cases, the eight weeks that customers need to give RBS (or their own bank) to resolve their issue haven't yet elapsed. We're still hopeful that these complaints can be resolved without the need for us to get involved. But I hope those that do reach us can be handled in this new way. And I hope that if RBS can also work in this new way, we can use this as a model for the future – across far more of our work.

Meanwhile, sadly, ever rising volumes of PPI complaints – currently arriving at double the forecast level, with up to 1,500 new cases every day – mean we won't be able to offer anything close to this level of service for some time for customers unhappy with how a financial business has handled their PPI case.

Natalie Ceeney
chief executive and
chief ombudsman

... we can use this as a model for the future.

Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR

switchboard 020 7964 1000

consumer helpline
new extended opening hours
Monday to Friday 8am to 8pm *and*
Saturday 9am to 1pm
0800 023 4567 or **0300 123 9 123**

technical advice desk
020 7964 1400
Monday to Friday 9am to 5pm

payment protection insurance (PPI)

Payment Protection Insurance (PPI) continues to be a major issue for consumers. We are now getting up to 1,500 new PPI cases each day – and PPI complaints represent more than half the total number of complaints referred to us. In fact, we've now received over 400,000 PPI complaints in total.

Our approach to deciding PPI complaints is well established, and our online PPI resource contains all kinds of information and materials to help people working on disputes involving PPI mis-selling. But unfortunately, we still see some financial businesses and claims management companies who don't take our approach into consideration when they are handling, or representing, PPI complaints. This creates unnecessary additional work for everyone – and causes delays.

When we examine a complaint involving the sale of PPI, we look at:

- whether the business that sold the PPI gave its customer information that was clear, fair and not misleading – to put the customer in a position where they could make an informed choice about the transaction they were entering into and the insurance they were buying; *and*
- whether, in giving any advice or recommendation, the business took adequate steps to ensure that the policy it recommended was suitable for that customer's needs.

If the business failed to provide information that was clear, fair and not misleading – or failed to ensure its recommendation was suitable – then we consider the impact this had on the customer. This means deciding whether the customer would have done anything differently (for example, chosen *not* to have taken out the PPI) if the business had met its obligations in providing clear information and making a suitable recommendation.

As the case studies on the following pages show, it is not always clear whether a business simply gave its customer information and allowed them to make their own informed choice – or whether it gave them *advice* and *recommended* a policy.

So we consider the evidence, and work out what seems *most likely* to have happened.

The case studies include complaints relating to:

- early cancellation of PPI policies – and refunds;
- the cost of a PPI policy – and whether it was an appropriate recommendation to a consumer who was experiencing financial difficulty;
- consumers who complained they were led to believe a PPI policy was compulsory; *and*
- consumers who took out a PPI policy – and later found that they were not covered by it.

Financial Ombudsman Service

... the potential benefits of the policy, given Mrs C's circumstances, meant that it had been a reasonable recommendation

case study 104/1

consumer complains she was not made aware that her medical condition was excluded under her PPI policy

When Mrs C took out a loan secured on her home, the loan provider recommended that she take out a single-premium payment protection insurance (PPI) policy.

Although she had not needed to make a claim under the policy, Mrs C became concerned about it when a friend told her about a PPI claim he had made – which had been declined because of a so-called "pre-existing medical condition". Mrs C was worried that because she had suffered from asthma for many years, she would not be able to claim if her condition led to her taking time off work.

So she complained to her loan provider about the way the PPI policy had been sold to her – saying she had not been made aware of the exclusions that applied to it.

Mrs C's loan provider rejected her complaint, and she decided to refer her case to us.

complaint not upheld

We listened to a recording of the phone conversation between Mrs C and a call handler at the loan provider. We noted that Mrs C engaged fully with the call handler during the conversation – and often asked him to clarify things she was unsure about.

When she was asked about her medical history, Mrs C told the call handler that she had asthma. When he went on to explain the exclusions that applied to the policy, he referred to her condition specifically – pointing out that any claim relating to her asthma would be excluded. Mrs C replied that she was not worried about this because her asthma was "under control" – and had never caused her to take time off work. So we were satisfied that she had been aware of the significance of the exclusion when she took out the policy.

But given that the business had specifically *recommended* the policy to Mrs C, we also needed to consider whether this exclusion made the policy unsuitable for Mrs C.

We concluded that it did not. After all, she had said she thought it unlikely that her asthma would cause her to make a claim and the policy would have covered her for any new medical condition. So we decided that the potential benefits of the policy, given Mrs C's circumstances, meant that it had been a reasonable recommendation.

Having looked at the evidence, we were satisfied that the loan provider had acted appropriately in recommending the policy – and that Mrs C had made an informed decision when she took it out.

We did not uphold the complaint.

case study 104/2

consumer complains he was pressured into taking out PPI when he activated his new credit card

Mr P received a mail shot inviting him to apply for a credit card. He completed the application form – but left a blank space where he was asked to indicate whether he wanted PPI. He returned the application form and received his new credit card a week or so later.

When he called the credit card provider to activate his card, Mr P spoke to a representative on their helpline – and ended up taking out a PPI policy.

He later complained to the credit card provider about the way the policy had been sold to him. He said he had been pressured into taking it out and subjected to a "hard sell". The provider disagreed. It rejected his claim that he had been put under pressure. And it pointed out that its representatives "only provide information" – and not advice – to their customers.

Mr P was unhappy with this response, and referred his complaint to us.

complaint upheld

Although the credit card provider was unable to provide us with a recording of the relevant phone call, it did provide us with a copy of the script that the representative would have used.

The script prompted the representative to describe the PPI policy in general terms. If customers said they were not interested, the representative was prompted to use "objection handling guidance" several times "to try and overcome" their objections.

We asked to see the guidance, but the provider was unable to supply a copy.

We could not be sure exactly what was said during the conversation between Mr P and the representative. But the fact that the script referred to "objection handling" techniques suggested to us that the representative had done more than simply provide information. It also lent weight to Mr P's argument that he had been subjected to a "hard sell".

We also needed to establish whether it was likely that Mr P would have taken out the policy had he been given the appropriate information to make an informed decision. So we spoke to him about his circumstances at the time. We found out that he had over 20 years' service with the armed forces. This meant that if he became ill or had an accident, he would have received full pay – and would have been eligible for an army pension if he could not return to work. He also told us that he considered his job had been secure at the time he took out the policy.

We then considered the protection provided by the policy – which would have paid 5% of his outstanding credit balance every month for 12 months. In light of this, we concluded it was unlikely that Mr P would have taken out the policy had he simply been left to make an informed choice.

We upheld the complaint and told the credit card provider to put things right in line with our usual approach.

... if customers said they were not interested, the representative was prompted to use "objection handling guidance"

case study 104/3

self-employed consumer complains that PPI should not have been recommended to him

Mr J was a self-employed dental technician. He wanted a loan to pay for his wedding. Mr J had been self-employed for a number of years and already had some cover in place to protect his income if he found himself unable to work.

He called a loan provider to discuss his requirements. Once the terms of the loan had been agreed, the representative went on to recommend that he take out a single-premium PPI policy. He was reassured that this would protect his monthly payments in the event of unemployment, sickness or an accident. Mr J took out the policy.

He later saw some articles in the press suggesting that PPI may not be suitable for people who are self-employed. He became concerned about the way his policy had been sold to him.

When Mr J complained to the loan provider, it told him that his policy would provide him with unemployment cover. It said it had been a suitable recommendation for him at the time, and rejected his complaint. Unhappy with this response, Mr J brought his complaint to us.

complaint upheld

When we spoke to the loan provider, it told us it would be no more difficult for a self-employed customer to make a successful claim under this policy than for an employed customer.

So we carefully reviewed the policy documents that Mr J had been given. We found that for a self-employed customer to be covered if they became unemployed, their "business" would have to "permanently cease trading".

This meant that Mr J would have needed to have stopped working as a dental technician *permanently* to qualify for unemployment cover – which is very different from temporary unemployment.

We also listened to the phone call during which Mr J and the representative had discussed the policy. We found that unemployment cover for self-employed customers was not mentioned. We pointed this out to the loan provider – and reminded it that the policy had been recommended to Mr J as "suitable for his needs".

The loan provider responded by saying that it had given Mr J literature about the policy. But we noted that this had been supplied *after* he had made the decision to take it out.

Having considered the evidence, we concluded that the terms of Mr J's policy – in relation to self-employment – amounted to a significant and onerous restriction, and that the loan provider should have brought them to his attention. We also pointed out that the policy had been *recommended* to Mr J – and that it was the loan provider's obligation to ensure that it was suitable for him.

So he should not have needed to wade through the small print of his policy documents himself to check that it was suitable. In light of the evidence, we took the view that had Mr J been made aware of the implications of the policy, it is unlikely he would have taken it out.

... he should not have needed to wade through the small print of his policy documents himself

... this included a table showing how much would be refunded if the policy was cancelled

case study 104/4

consumer complains about the sale of a PPI policy when he finds that a refund for early cancellation is not “pro rata”

Mr B wanted to buy a motorbike and phoned his bank to arrange a loan. He spoke to an adviser who – once the terms of the loan had been agreed – recommended that he take out PPI. The policy was on a single-premium basis and would run alongside the loan for its three-year term.

A few months later, Mr B was reviewing his outgoings to see where he could make some savings. It struck him how much he was paying each month for his loan – so he looked back at the paperwork to check whether the amount was right.

When he checked his documents, he noticed that his PPI policy had significantly increased the total amount he had borrowed – and that he would only receive a limited refund on it if he decided to repay the loan early.

He decided to complain to his bank that the policy had been mis-sold to him. When the bank rejected his complaint, he referred the matter to us.

complaint not upheld

We reviewed the policy documents sent out to Mr B. We noted that his loan agreements set out the cost of the loan – both with and without the PPI policy. We also noted that they *did* provide a clear explanation of how a refund would be calculated if he repaid his loan early and cancelled the policy. This included a table showing how much would be refunded if the policy was cancelled after varying periods of time.

Because the bank had recommended the policy to Mr B, we also needed to consider whether it had been an appropriate recommendation for him. We listened carefully to a recording of the phone conversation between Mr B and the adviser at his bank.

During the phone call, Mr B had confirmed that he was a homeowner, that he had two dependants and that he was not entitled to any employee benefits in the event of an accident, sickness or unemployment. He also said that he did not have any other savings or insurance policies.

During the call, the adviser had given Mr B a quote for the loan both *with* and *without* the addition of the PPI policy. She had also told him the monthly cost and the amount of interest that would accrue over the term of the loan.

The adviser had gone on to explain to Mr B that the policy might not be suitable if he was looking to keep costs down – or if there was a chance he might repay his loan early. She had explained that if he did this, the refund he would receive would not reflect the amount of time that was left to run on the policy. She also said that he should read the policy literature for more information on refunds.

Later on in the phone call, when Mr B had confirmed that he wanted to take the policy out, the adviser had reminded him of the refund issue. He had confirmed he understood it – and that he wanted to proceed with the policy.

Having looked carefully at the evidence, we concluded that the policy *would* have been of some benefit to Mr B had he found himself unable to work – and that it was not unreasonable for the adviser to have recommended it. We were also satisfied that the adviser had done enough to highlight both the additional cost of the policy, and the fact that a refund would *not* be on a "pro rata" basis if he decided to cancel the policy early.

case study 104/5

consumer complains she should not have been sold a PPI policy because she was not eligible for cover

Miss N's grandparents had been renting their home for 40 years. When the owner of the property put it on the market, Miss N decided to buy it. She planned to carry on living in her own home while her grandparents would continue to live in the property.

She went into her bank to explain her situation. Having discussed her requirements with an adviser, Miss N took out a mortgage. She was also given an application form for a PPI policy – which she completed during her appointment with the adviser.

Unfortunately, some time later Miss N lost her job and made a claim under her policy. This was declined because she was not living in the property – and was therefore not eligible under the terms of the policy. Miss N complained to her bank, saying that she had not been made aware of this restriction.

The bank responded by saying that Miss N had not made it clear that she would not be living in the property. It went on to say that it had not *recommended* that Miss N take out the policy – but that it had given her information to enable her to make her own decision. It also pointed out that it had sent her detailed policy documents in the post.

Unhappy with this response, Miss N brought her complaint to us.

complaint upheld

When we reviewed the policy documents that had been sent to Miss N *after* she had taken out the policy, it was clear that the policyholder *must* live in the property to be eligible for cover.

But we needed to decide whether this had been made clear to Miss N *before* she had taken out the policy. When we looked at the documents she had been given, we found that they did *not* contain clear information about eligibility criteria.

We also looked at the events leading up to her decision to take out the policy. We concluded that the adviser who helped arrange her mortgage would have known that she did not intend to live in the property herself. When this same adviser went on to help her with her PPI application form, we thought that they should have explained to Miss N that she would *not* be eligible for cover under the policy.

Although the bank may not have *recommended* the policy to Miss N, we decided that it had not given her sufficient information to make an informed decision about whether the policy was suitable for her.

In these circumstances, we upheld the complaint – and told the bank to put things right in line with our usual approach.

... we decided that it had not given her sufficient information to make an informed decision

... they could not have worked out that the policy would increase their monthly repayments by 25%

case study 104/6

couple complain that they were sold a PPI policy that would not cover them for the full term of their loan

Mr and Mrs T wanted to reduce their debts by consolidating them into a single loan. They phoned a loan provider and discussed their requirements with an adviser. The adviser recommended a £28,000 loan with a repayment period of 25 years.

Given the length of the repayment term, Mr and Mrs T wanted to make sure they would be protected if they went on to experience financial problems in the future. The adviser recommended that they take out a single-premium PPI policy. Mr and Mrs T followed his advice and took out both the loan and the policy.

When they looked back at their paperwork later on, they were surprised to discover that their PPI policy had been set up over a five-year term. They felt this had not been explained to them properly and they complained to their loan provider.

They also said that they had not been made aware of the total cost of the policy – or what they would get in return for their money.

The loan provider rejected their complaint, saying they had been given all the information they needed to make a decision about the policy. Unhappy with this response, Mr and Mrs T referred their complaint to us.

complaint upheld

To establish the facts of the case, we listened to a recording of the conversation between Mr and Mrs T and the adviser. We noted that the adviser spoke very quickly and moved rapidly from one matter to another. And Mr and Mrs T were not given the opportunity to ask questions or raise concerns.

The adviser mentioned only briefly the total cost of the policy – and did not tell Mr and Mrs T what their monthly repayments would be *without* the PPI. This meant they could not have worked out that the policy would increase their monthly repayments by 25%. The adviser mentioned only briefly the fact that the policy would provide cover for just five years. And he did not explain that any further cover would come at an additional cost.

As the conversation went on, it became clear to us that Mr and Mrs T had not realised that they would be paying for the five-year policy (plus interest) over the full 25-year term of the loan.

We then compared the benefits of the policy with what it would cost. We noted that even if Mr and Mrs T had made a successful claim and the policy had paid out continuously for the full five years, the total amount they would have received could only ever have been £200 more than the total amount they would have paid for the policy – over £16,000 in total – in the first place.

Having reviewed the facts of the case, we concluded that the way the adviser had handled Mr and Mrs T's call had made it very difficult for them to make an informed decision about the policy. We concluded that had the terms and implications of the policy been explained to them, it is unlikely they would have taken it out.

case study 104/7

consumer in financial difficulty complains she was sold a PPI policy – which increased her debt further

Mrs R was experiencing financial difficulty, and was getting increasingly worried about how she was going to cover her monthly outgoings. She decided to go into the local branch of her bank to talk things through with them.

She explained her situation to an adviser, who recommended that she take out a single loan to pay off all her other debts, and a PPI policy to cover the new loan. She paid for the PPI policy on a one-off, upfront basis (single premium), costing her an extra £4,000 over the full term of the loan.

Three months into the new loan, Mrs R was already struggling financially, and she became concerned that the cost of her new PPI policy had not helped.

Mrs R complained to her bank. She said that rather than helping make her debts more manageable, the policy meant that the costs had only increased. She added that the bank had ignored the fact that she needed to keep costs down – even though she had told them repeatedly that she was having financial problems. The bank rejected her complaint and she referred her case to us.

complaint upheld

There were very limited records of what had happened when Mrs R took out her loan, but we listened both to her side of the story – and to what the bank had to say. Based on what they both told us, we decided that, on balance, it was likely the bank would have known about her financial circumstances and difficulties and should have taken them into account before it recommended that she take on an additional £4,000 of debt. It was, after all, clear to the bank that Mrs R was consolidating a number of existing debts to bring costs down, and she had gone into the branch specifically to get help with managing her finances.

Taking everything into consideration, we were not satisfied that the bank had given Mrs R a clear explanation of the cost of the policy – or how it would affect her overall finances. Given her situation, we decided the bank should have taken more care to ensure she had understood the implications of taking out the policy. We thought it unlikely that she would have taken the policy out had it done so.

We told the bank to put things right in line with our usual approach.

... the bank had ignored the fact that she needed to keep costs down

... recollections of what actually happened on both sides were sketchy

case study 104/8

consumer complains about the sale of a PPI policy he took out in 1995

In 1995 Mr S went into the local branch of his bank to apply for a credit card. At the same time, he took out a regular-premium PPI policy, which he would pay for on a monthly basis.

Some years later, Mr S heard something on the radio about the mis-selling of PPI. He thought about his own policy and decided to find out a bit more about it. He couldn't find the original paperwork he had been sent, so he looked back at some credit card statements and noticed that he was still paying a monthly premium.

Although he couldn't remember many details about how he had come to take the policy out, he was still concerned about it. He decided to complain to his bank, saying that it had mis-sold him the policy. When his bank rejected his complaint, he referred the matter to us.

complaint not upheld

When we investigate any complaint, we have to make sure we assess the evidence carefully to come to a fair decision. Unfortunately, in this case there was only limited paperwork for us to go on – and the recollections of what actually happened on both sides were sketchy.

Even so, we were able to build up a picture of some of the basic facts by looking into Mr S's personal and financial circumstances at the time. When he had taken the policy out, Mr S had been the main wage earner in his family and had three dependants. He had only been entitled to limited sick pay and would have had no other way of making his repayments if he had found himself unable to work.

We also asked the bank to show us an example of the paperwork that would have been given to customers like Mr S, who took out a policy in its branches in 1995. This included the policy document that set out the cost of the cover – and the amount that would be paid in the event of a successful claim.

We noted that in the event of a successful claim, Mr S's outstanding credit card balance would have been reduced by 10% each month – and repaid in full after 12 months.

We also checked whether there were any other reasons why the policy may not have been suitable for Mr S. We found that he did not have any pre-existing medical conditions or any other issues that would mean he could not benefit fully from the cover.

So while we couldn't establish exactly what Mr S had been told when he took the policy out, taking into account his personal circumstances and the benefits of the policy, there was little to suggest that it might not have been suitable for him at the time. In these circumstances, we did not uphold the complaint.

... they said they had not been told that the policy was optional

case study 104/9

couple complain they were led to believe PPI policy was compulsory

Mr and Mrs L wanted to buy a new car and contacted a loan provider to discuss their requirements. They took out a loan for £5,000, together with a single-premium PPI policy. The policy would run alongside the loan for its full term and would cost £1,000.

After the money from the loan had arrived in their account, Mr and Mrs L checked their paperwork to remind themselves how much they would be paying each month. They were puzzled as to why there were separate documents for their loan and a PPI policy – when they had thought it was all part of the same thing. So they did some research on the internet and discovered that, generally, insurance like PPI was separate from a loan – and was usually optional.

So they complained to their loan provider. They said they had not been told that the policy was optional – and had thought it was a requirement to get their loan agreed. When their loan provider rejected their complaint, Mr and Mrs L referred the matter to us.

complaint upheld

We asked the loan provider to give us a recording of the phone call during which Mr and Mrs L had taken out the policy. The provider could not give us a recording – but it did supply a copy of the script that would have been used by its representative.

We noted that the script prompted the representative to discuss loan protection *before* the loan had been approved in principle. We decided that this could have led Mr and Mrs L to believe that they *had* to take out the policy to get their loan agreed.

The script did not prompt the representative to ask the customer if they actually *wanted* the policy. And it prompted them to quote a single total figure that already included the cost of PPI. We felt this could have led Mr and Mrs L to believe that the policy was a standard addition to every loan.

Next, we looked at the loan agreement and the policy documents that had been sent to Mr and Mrs L. We found that the documents did *not* clearly present the policy as optional. In fact, the section about the policy had already been filled in by the loan provider.

When we spoke to Mr and Mrs L, they told us that the loan provider had delivered the documents to them by courier – who had waited for their signature before returning the signed documents to the loan provider. So we decided that the loan provider had not given Mr and Mrs L sufficient time to review the documents – or to think about whether to take the policy out.

Finally, we took into account the couple's circumstances at the time they had taken the policy out. Mr L had worked on a construction site. He would have been entitled to 12 months' full pay if he became unable to work due to sickness – and his employer also provided life assurance.

Having reviewed all the available evidence, we took the view that the policy *had* been mis-sold to Mr and Mrs L. At no point had it been presented to them as optional, and they had not been given the appropriate information – or time – to find this out for themselves. In view of their circumstances at the time, we decided that *had* it been made clear to them that the policy was optional, it is unlikely they would have taken it out.

We told the loan provider to put things right in line with our usual approach.

case study 104/10

consumer complains she was advised to take out unnecessary PPI policy on her mortgage

Mrs A wanted to make some extensive improvements to her home. She thought about different ways of borrowing the money she needed, and decided to look into changing her mortgage. She went into the local branch of her building society to discuss her requirements. Following a discussion with an adviser, she took out a new mortgage – and a regular-premium PPI policy, payable on a monthly basis.

Mrs A later complained to the building society that she did not need the policy and should not have been advised to take it out. When the building society rejected her complaint, she referred the matter to us.

complaint not upheld

To get to the bottom of what had happened, we asked Mrs A to tell us how exactly she had reached her decision to take the policy out. We also spoke to the building society. Having listened to both accounts, we decided that Mrs A *had* been given advice by the building society. So we needed to decide whether this advice had been appropriate for her.

When we looked at the policy documents she had been given, we noted that they set out the cost of the policy *separately* from the mortgage repayments. And under the terms of the policy, Mrs A's monthly mortgage repayments would have been made *in full* had she ever found herself unable to work or made redundant.

Mrs A told us that when she had taken the policy out, she had been the main wage earner in her household, with two dependants. Although she had been in good health and in full-time employment, she had only been entitled to statutory sick pay. And she had no other insurance policies or savings that she could have drawn on to make her mortgage repayments if she had found herself unable to work.

In light of these circumstances, we decided that it had been reasonable for the building society to recommend the policy to Mrs A. After all, she was taking on a substantial financial commitment – and if she had defaulted on that commitment, she would have risked losing her home.

... they set out the cost of the policy separately from the mortgage repayments

case study 104/11

consumer complains he was mis-sold a PPI policy after a claim is turned down – on the basis of a pre-existing medical condition

Mr F took out a credit card with his bank – and a PPI policy at the same time.

Some time later, he visited his GP and was signed off as unfit to work. So he went into a branch of his bank and said that he wanted to claim under his PPI policy. The bank told him that he would receive a claim form in the post – and it contacted the insurer to let them know that he would be making a claim.

Mr F's claim was subsequently turned down. The insurer said it related to a "pre-existing condition" – and that he was not covered.

Mr F complained to his bank. He said that had he known the policy would not cover his condition, he would never have taken it out. He also argued that his claim had been handled incorrectly and unfairly – and disputed the medical evidence used by the insurer.

The bank did not agree. It said it had acted correctly in selling Mr F the policy. He remained unhappy, and referred his complaint to us.

consumer advised on how to proceed with claim

When we spoke to Mr F, it was clear that he was extremely frustrated by what had happened. He had expected the policy he had taken out to cover him in *exactly* this sort of situation – and therefore believed the policy must have been mis-sold to him.

We contacted his bank and listened to its account of the situation. It also provided some written information, which we looked through carefully. We came to the conclusion that the bank *had* acted appropriately in recommending and selling the policy to Mr F.

However, from what Mr F had told us about his medical condition, we thought it might be possible that his policy *did* in fact cover him. So we explained to him that the bank was only responsible for responding to his complaint about the *sale* of the policy – and was not responding to his complaint about his claim being turned down. We suggested he take his complaint forward with the insurer.

Some weeks later, Mr F contacted us to say he had acted on our suggestion – and that the insurer had upheld his complaint and settled the claim to his satisfaction.

case study 104/12

consumer complains about the cost of her PPI policy – and the refund she received when she cancelled early

Miss W had several credit cards and owed a total of £13,000. She decided that she needed to reduce her monthly outgoings. So she applied for a loan to consolidate her debt – and to borrow an extra £2,000 to pay for repairs to her garage. She contacted a loan provider by phone to discuss her requirements – and went on to take out a loan to cover the total amount. She also took out a single-premium PPI policy.

When Miss W re-mortgaged her property a year later, she decided to consolidate all her debt into her mortgage – and repaid her loan. She was surprised to find that the refund she received for her PPI policy was significantly less than the original premium – even though it had only been in place for a short time.

... the insurer said it related to a "pre-existing condition" – and that he was not covered

... she would have needed to refer to a table in the appendix section and work it out for herself

Miss W complained to the loan provider, saying she had not been made aware of the total cost of the policy – or that a refund would be so small if she repaid her loan early. The loan provider disagreed. It said that she had been made aware of both the cost of the policy and its cancellation terms. Unhappy with this response, Miss W brought her complaint to us.

complaint upheld

We looked carefully at the evidence. The loan provider was unable to give us a recording of the phone call during which Miss W had taken out the policy. But it did give us a script that would have been used by its representative.

We noted that the script only prompted the representative to mention the one-off, upfront cost of the policy – and the fact that "it would attract interest". We saw nothing to suggest that the representative would have stated the total cost of the policy if it ran its full term. And we saw nothing to indicate that Miss W would have been told how much the insurance premium would affect her monthly repayments.

As Miss W had originally set out to reduce her monthly outgoings, we thought that the total cost each month would have been an important consideration for her when she was deciding whether to take out the policy.

As far as the refund on early cancellation was concerned, the script did not prompt the adviser to explain to Mrs J how a refund would be calculated if she repaid the loan early. It seemed from the script that she would simply have been prompted to read through all the policy terms and conditions when she received them.

So we looked at the policy documents that were sent to Miss W after she had spoken to the loan provider. We found that the refund she would have received if she cancelled the policy early was calculated as a percentage of the original premium – and the percentage would depend on how long the policy had been in place.

This meant that a refund would be significantly less than "pro rata" – where a policyholder would effectively pay only for the length of cover they had received. For Miss W to have found this out, she would have needed to refer to a table in the appendix section of the document and work it out for herself.

We concluded that neither the representative nor the policy documents had made the details of a refund sufficiently clear to Miss W. And given that she had already consolidated her finances once before – and seemed to be regularly looking for ways to reduce her monthly outgoings – we concluded that she would have been unlikely to have taken out the policy had she been fully informed about what it involved.

ombudsman focus: **casework experiment**

You might have noticed in our recent *annual review* that we've been experimenting. We've been trialling a new approach to handling some complaints involving e-money and money transfers. *ombudsman news* caught up with **Jane Hingston**, lead ombudsman, to find out how it's been going ...

So what's the background to this project, Jane?

I'd been talking with colleagues about how rapidly people are changing the way they use financial services – and what this means for us. The project really came about from one of those conversations.

Our tried-and-tested approach to casework works well for the more established ways of using financial services. But we thought there would be value in trying something new for consumers who had particular complaints involving e-money and money transfers.

We wanted to make sure we could meet people's changing expectations – which can be very different if they've used services like these. If someone has dealt with their e-money provider entirely over the internet, or was attracted to a type of money transfer that offered "instant" service, then it may seem strange for that consumer to have to adapt to our more formal, paper-based service if things go wrong.

How did your early ideas take shape?

The first thing to say is that we didn't have a blueprint for this. We knew that a conventional project-management approach just wouldn't work – and that we needed to be far more fluid, learning lessons as we went and tweaking things along the way.

We soon realised that we needed to start by setting aside our standard process and procedures, so that we were forced to think in new ways about how we could best help these customers – consumers and businesses alike.

The first thing we did was to remove the traditional division we have between "enquiries" and "complaints". This left the way clear for us to challenge more of our traditional assumptions about "casework".

We wondered whether it would be possible to give our people licence to engage with the parties and just "sort it" – without all the usual trappings of complaint form, signatures, questionnaires and acceptance forms.

We also wondered how we could give our people more freedom to tailor their approach to suit each individual case. And we asked ourselves how, in an organisation of 2,000 people, someone phoning us could get straight through to talk to the person they needed.

Finally, we had to rethink timescales. Of course we aim to resolve everyone's case as quickly as possible. But given that these consumers were used to being able to communicate with their financial provider in a more immediate and informal way, we were particularly keen to be able to engage in as near to "real time" as we could.

So, effectively, it was pushing the boundaries on all fronts.

Sounds ambitious. How did you define success for the project?

We didn't go into this with a cut and dried definition of what would constitute "success". We thought that would be too limiting and might cause us to miss some really good chances to learn and build on new ways of doing things. We were also careful not to prejudge what our customers would like best. We thought it would be better to simply get their feedback, once they had experienced the newer way of doing things!

So how did you make it happen?

Once we'd got some good ideas about what we wanted to try, we knew we needed to get the right partners involved. So we were very pleased when two major financial players responded especially enthusiastically – with their most senior people wanting to get directly involved.

So far as our own team was concerned, we created a small group who could deal with enquiries and complaints as soon as consumers contacted us. We then got straight to work on sorting out whatever had gone wrong. In most cases, this meant sorting problems for customers in hours or days rather than weeks or months.

This was a big change for us – but less of a surprise for our customers (something I'd like to come back to later). What this approach meant was that the front-line team had to be real experts in the subject – so that as soon as a consumer called, they could immediately speak to someone who said, "yes, I understand exactly what you're talking about".

When it came to putting a framework in place for dealing with people's problems, we were determined not to be constrained by "we've always done it like this" thinking. So we decided to try things and see what worked and what didn't – and then scale up or scale down, based on what happened.

We also realised that the technology we used to engage with customers would need to be rather different. We'd be doing more over the phone, over the internet and by text – and writing very few conventional letters.

But even though we'd adopted a more fluid approach, we still had to make sure we had proper systems in place to record what had happened in each case and the same standard of quality control and monitoring as we have in our "mainstream" casework.

We also wanted to capture information about what sorts of approaches worked well, and what went less well than we had hoped. That would enable us to build on those initiatives that seemed to work best.

... we were determined not to be constrained by "we've always done it like this" thinking

How did you get on when the phone started ringing? Did it all go smoothly?

Well, there are always early glitches in any project, and this was no exception. But we'd prepared ourselves for them, and were determined to learn as we went along. "Techie" issues are inevitable with a project like this. So we seemed to be permanently on call to our IT helpdesk. We found ourselves fixing and adapting things as we went along, which perhaps made life for our IT team a bit more exciting than they had bargained for – but they supported us brilliantly!

We also found ourselves fighting against the urge to create a "process for no process". Like any large organisation dealing with casework, we have frameworks and processes to make sure our service is consistent. But with these cases, the team was dealing with real life as it happens. So we were absolutely determined to make sure that any pieces of process we *did* introduce weren't there to be a comfort blanket for us – but genuinely to help our customers.

So once it was up and running, how did you decide whether the new approach was working?

One obvious sign was the far shorter time it took us to get problems sorted out for customers. We were really pleased – and so were the two financial businesses involved – to have sorted out some consumers' problems in less than an hour.

Customer satisfaction was the other big indicator. Even where the outcome of their getting in touch with us was not what they had hoped for, consumers were still generally very pleased with the way we had treated them.

What else did people have to say about it?

Well, nine out of ten consumers rated this approach to sorting their problem highly. That was whether or not we had come down in their favour.

The key things that consumers appreciated were having just one person dealing with their problem, the depth of knowledge of the person they dealt with, and the interest that person took in what had happened and how they could help.

We were delighted with this. We'd worked hard to make sure our front-line team had an exceptionally thorough knowledge of the products that these consumers would be contacting us about, and about how the products worked in practice. It really paid off.

Did anything in the feedback surprise you?

Interestingly, many people were fairly neutral about the time it took to sort things out. They were often very pleased by the fact that things had been settled so quickly – but they thought the timescale was about right for the type of problem they had brought to us.

We could see the logic in this. If e-payments and money transfers can happen so quickly, why shouldn't problems be sorted out equally speedily?

... handling customer problems well isn't just about "compliance" with the rules – it's the very heart of good customer service

How did the businesses involved in the project find it?

I must say we are really grateful to the two businesses for their positive attitude and willingness to take a chance with something new. We have had positive feedback from them throughout the project and they seem to have found it a refreshing way to work!

So would this approach work for everything?

I don't think we could automatically replicate this with *every* type of case we deal with here. But on a practical level, it's given us a lot of operational ideas that we need to think through in terms of how they might work on a larger scale. And that doesn't mean we can't use and develop many of the techniques and approaches that we used during this experiment. So we're certainly thinking about whether – and how – we can take these ideas forward.

We also know that a key reason for the success of the project was that the financial businesses that took part were geared up to providing us with the right information really quickly (usually within 21 hours – rather than 21 days!). And most significantly, they invested in putting the right number of people – with the right levels of authority – at the interface with us. These were businesses who really understood that handling customer problems well isn't just about "compliance" with the rules – it's the very heart of good customer service.

Finally, how would you sum up your own feelings about the project?

I think what I'm most pleased about is that many of the things consumers told us they liked best are things we can easily work to improve across the ombudsman service as a whole – without needing to introduce any new processes.

Our people pride themselves on their professionalism and knowledge, and we have already adapted our organisational structure to make sure expertise can be shared more easily. And it's been really interesting to have the freedom to work on sorting out problems for businesses and their customers without the normal constraints of the "traditional" process. I was particularly impressed with the way our project team was able to pick up and put into practice the brief for this experimental project – testing out different ways of sorting problems and complaints without the usual process and procedures.

Finally, it struck me that the fact consumers *weren't* totally bowled over by the timescales we managed to achieve – settling problems in days not months – probably means that it was *our* assumptions about how long is "about right" that were out of line – not theirs. I think this is a useful reminder – never assume you know best!

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Printed on Challenger Offset paper made from ECF (Elemental Chlorine-Free) wood pulps, acquired from sustainable forest reserves.

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Q? &A

featuring questions that businesses and advice workers have raised recently with the ombudsman's technical advice desk – our free, expert service for professional complaints-handlers

question

we have about five complaints a year referred to the ombudsman by our customers – where we haven't been able to resolve matters ourselves. We'd like the opportunity to meet people from the ombudsman face-to-face – to understand more about what you do. Is this something you can help with?

answer

The fact we cover over 100,000 financial businesses means that we can't get to know each one individually. But we definitely see the value in talking to businesses about our general approach – and we look for ways of targeting and prioritising our resources to get the most out of them. This includes travelling around the UK, attending and hosting events so we can meet consumer groups and businesses.

If we're talking openly with businesses that are covered by us – and sharing our insight and experiences with them – there's a good chance that some problems experienced by their customers can be sorted out sooner, and without the need for us to get formally involved. This has to be better for everyone.

And of course, it's a two-way thing. We learn from what businesses and consumer groups tell us too. In her interview on page 16 of this issue, Jane Hingston, one of our lead ombudsmen, suggests we should never assume we know best. Our visits and events programme constantly gives us new perspectives.

Some of our events are aimed at businesses like yours who are covered by the ombudsman service – but who don't usually have much direct contact with us because we receive relatively few complaints about them.

Our free "*introducing the ombudsman*" seminars aim to do just that – by explaining our role and how we go about our work. They're hosted by senior ombudsmen and led by our outreach team – the people who, when they're not on the road, are busy taking calls on our technical advice desk from businesses and advice workers – giving an informal steer on the ombudsman's approach to different kinds of complaint.

We also run "*workingtogether*" conferences for larger financial businesses – who are usually already talking to the ombudsman every day about the larger number of cases they have with us and would like to know how to hear from us *less* often! These conferences are also led by senior ombudsmen.

We run training sessions for community and advice workers too. We're very keen to welcome the widest range of people from consumer and voluntary groups to the events we run – from trading standards officers, money advisers and MPs' caseworkers to representatives from smaller charities and local support agencies.

A typical event includes presentations, group discussions, case studies and question-and-answer sessions. We run these events all over the country, often in association with local advice networks. And like our events for smaller businesses, places are free of charge.

We're convinced that meeting face-to-face with businesses and advice workers to discuss our general approach to cases helps us all offer a better service to customers – preventing problems and sorting things out more swiftly when they do go wrong. So come along and see us next time we're in your area. Over the next few months we'll be out and about in Birmingham, Doncaster, Exeter, London, Manchester, Middlesbrough and Paignton.

To find out more about our events and to see our current programme, visit financial-ombudsman.org.uk/news/out-and-about.htm or call us on 020 7964 1400.

ref: 715

Financial Ombudsman Service