DRN-2141604

The complaint

Mr S says Barclays Bank UK PLC mis-sold him a payment protection insurance (PPI) policy.

What happened

This complaint is about a single premium PPI policy Mr S took out with a loan in 1994. Mr S applied for the loan and was sold the PPI during a meeting.

Mr S borrowed £950 to buy a motorcycle. The PPI premium was £76.34 and was added to the loan and would attract interest. So in total Mr S borrowed £1,026.34. The loan was to be repaid over 12 months.

The PPI covered Mr S against not being able to work due to an accident, sickness or unemployment. In the event of a successful claim the PPI could have paid Mr S a monthly benefit equivalent to the loan repayment for up to 12 months.

Our adjudicator thought the complaint should be upheld. Barclays disagreed with the adjudicator's findings, so the complaint was passed to me.

In July 2020 I issued my provisional findings on this complaint and invited both parties to reply with any comments or further information they wanted me to consider.

My provisional findings were that I was intending to uphold this complaint for the following reasons:

Was Mr S given a fair choice over whether to buy the policy?

Mr S says he was given the impression he had to agree to the PPI in order to have the loan application approved. Barclays has said it would have made it clear the policy was optional.

I've thought about this. Mr S has told us he applied for the loan during a meeting at a branch. And he has been able to give us a copy of the loan agreement.

I've looked at the loan agreement signed by Mr S in February 1994. I can see the agreement set out the details for the main loan and the loan for the PPI premium separately. But I can't see that it is mentioned on the agreement that the PPI is optional. And Mr S only had to sign once for the whole agreement and not separately to agree to the PPI. There is no option on the agreement to opt out of the PPI.

Barclays has pointed to a sample application form from 1994 which it says Mr S would have completed before the credit agreement was produced. The application form contains two boxes that could be ticked to accept or decline the PPI. But the application looks like the type of application that is intended to be completed by the applicant and then returned to Barclays by post. Mr S recalls applying for his loan in person during a meeting with a Barclays' representative so I am not persuaded the form shown to us by Barclays would have been the same as the one used during the meeting.

Taking everything into account I don't think it is likely Mr S was given a fair choice over whether to buy the PPI policy.

I could uphold the complaint on this point only, but I also have concerns about whether the policy was right for Mr S.

Was the PPI policy right for Mr S?

Barclays has told us it would have advised Mr S to buy the policy. So it needed to take steps to ensure it was right for him. But I don't think it was for the following reasons:

The policy sold to Mr S would have paid a monthly benefit for up to 12 months per claim. But Mr S's loan was taken out over the short term of 12 months.

So unless Mr S became unable to work and claimed almost immediately he would not ever be able to claim the full benefit. And each month that passed would see the maximum benefit he could claim decrease. So I think the policy represented poor value for Mr S.

And Mr S has told us he had up to six months savings and that his employers would have paid him some sick pay. Mr S has also told us he was living at home with his parents and had very little, if any, other committed outgoings. Barclays has shown us copies of Mr S' bank statements from 1997 and I can't see any regular direct debits or payments for rent or a mortgage.

So I think Barclays advised Mr S to buy a policy that didn't represent good value to him and for which he had little need.

I also set out in my provisional decision the steps Barclays needed to do to put things right.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr S has not replied to my provisional findings.

Barclays replied to say it disagreed with my findings but gave no new reasons or provided any new evidence.

Therefore I see no reason to depart from the findings I set out in my provisional decision.

Putting things right

Mr S borrowed extra to pay for the PPI, so his loan was bigger than it should've been and he paid more than he should've each month. So Mr S needs to get back the extra he paid.

So, Barclays should:

Work out and pay Mr S the difference between what he paid each month for the loan and what he would've paid each month without PPI.

Add simple interest to the extra amount Mr S paid each month from when he paid it until he gets it back. The rate of interest is 8% a year*

If Mr S made a successful claim under the PPI policy, Barclays can take off what he got for the claim from the amount it owes him.

* HM Revenue & Customs requires Barclays to take off tax from this interest. Barclays must give Mr S a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold Mr S' complaint and direct Barclays Bank UK PLC to pay Mr S compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 November 2020.

Steve Thomas
Ombudsman