

complaint

Mr L complains he was mis-sold a single premium payment protection insurance ("PPI") policy by Rider Motorcycles Ltd ("Rider Motorcycles") when he took out a loan.

background

In 2006 Mr L applied for the loan in order to buy a motorbike. At the same time he was sold a PPI policy.

Our adjudicator looked at this complaint and thought it should be upheld. Rider Motorcycles didn't respond to the adjudicator's view, so the complaint has come to me to make a final decision.

my findings

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Mr L's case.

I've decided to uphold this complaint, and I'll explain my reasons for this.

If Mr L had needed to claim on the policy for unemployment, the cover was limited to 12 months in total for the duration of the loan. But 12 months was the period he'd have had to claim for in order to recover the cost of the PPI. And if he'd had two periods of unemployment and wanted to claim on the policy, but the periods were separated by more than three months, he'd have had to return to work for a total of six continuous months before he could make another claim.

This meant that it was unlikely that Mr L could ever claim back enough in unemployment benefit to get back the total cost of policy.

Rider Motorcycles should have given Mr L information about the cost and benefits of the PPI that was clear, fair and not misleading. Based on the information that's been provided to me, I can't see that it fairly or clearly drew his attention to the limit on the unemployment cover.

I think it's likely that this information would have been important to Mr L because the unemployment cover was a significant part of the cover under the policy. I think if Rider Motorcycles had clearly explained the cost of the policy, Mr L wouldn't have thought the benefit was good value for him. And I don't think he would have wanted to take it out. So, I think Mr L lost out because of what Rider Motorcycles did wrong and was worse off as a result.

what the business should do to put things right

Mr L 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 L needs to get back the extra he's paid.

So, Rider Motorcycles should:

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

- Add simple interest to the extra amount Mr L paid each month from when he paid it until he gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on[†].
- If Mr L made a successful claim under the PPI policy, Rider Motorcycles can take off what he got for the claim from the amount it owes him.

[†] HM Revenue & Customs requires Rider Motorcycles to take off tax from this interest. Rider Motorcycles must give Mr L a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons explained above, I'm upholding this complaint and Rider Motorcycles Ltd should pay Mr L fair compensation as I've set out.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr L to accept or reject my decision before 24 August 2015.

Katrina Hyde
ombudsman