

## **complaint**

Mr C has complained that the Co-operative Bank plc (the Co-op) mis-sold him a payment protection insurance (PPI) policy

## **background**

Mr C bought the PPI policy in 1998 at the same time as he took out a credit card by post. The policy cost Mr C 67p for each £100 he owed on his credit card. If he'd successfully claimed on the policy, each month it would've paid out 5% of what he owed on the card for up to 24 months for each disability claim and up to 18 months for each unemployment claim.

Our adjudicator upheld the complaint. He didn't think the Co-op had set out the cost and benefit of the policy clearly enough. The Co-op disagreed. So the complaint has come to me for a decision.

## **my findings**

I have 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 C's case.

I've decided to uphold the complaint.

Mr C applied for the credit card by filling out an application form and posting it to the Co-op. He ticked a box to say that he wanted the PPI, so I think he agreed to buy it.

The Co-op didn't recommend the policy to Mr C. But it still had to set out the costs and benefits in a way which was fair, clear and not misleading, and to tell Mr C about the main features of the policy.

I don't think the Co-op did explain the costs and benefits of the insurance properly. And I don't think Mr C would've taken out the policy if it had.

The application form for the credit card where Mr C ticked the box for the PPI doesn't include details about its cost or benefit. The Co-op has given us an example of the leaflet they say they would've sent out to Mr C with more details about the insurance after he'd applied for it. But we don't know for sure that Mr C got this leaflet, and although it does set out the cost and details of the cover provided by the insurance, this is in very small print and because of this it was not drawn to Mr C's attention.

And Mr C would've got it after he'd chosen to take the policy. He shouldn't have to look at separate documents to find out this key information – it should be easy to find and prominent. I don't think Mr C would've fully understood from the application form or the leaflet that he'd have to keep paying for the policy during a claim. Or that the premium would be added to what he owed and that he could be charged interest on it.

Mr C has told us that when he bought the policy he was working full-time. He would have got six months full pay followed by six months half pay if he'd been unable to work because he was ill or had an accident. He also had some savings. This means it's most likely he would've been able to pay off his credit card repayments for up to a year or more if he'd been off work. And although the length of cover it provided was quite good, the insurance would've paid only 5% of the balance on his card every month, so I don't think he would've seen it as good value in relation to his existing means.

Because of this I don't think Mr C would've bought the policy if he'd fully understood its cost and benefit. This means he's lost out because of what the Co-op did wrong when it sold him the policy.

### **putting things right**

The credit card account is closed and the PPI policy has been cancelled.

The Co-operative Bank plc should put Mr C in the financial position he'd be in now if he hadn't taken out PPI.

A The Co-op should find out how much Mr C would have owed when he closed his credit card account if the policy hadn't been added.

So, it should remove the PPI premiums added, as well as any interest charged on those premiums. It should also remove any charges that were caused by the mis-sale of the PPI – as well as any interest added to those charges.

The Co-op should then refund the difference between what Mr C owed when he closed his account and what he would have owed if he hadn't had PPI.

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

B The Co-op should add simple interest on the difference between what Mr C would have owed when he closed his account from when he closed it until he gets the refund. The interest rate should be 8% a year. †

C If – when the Co-op works out what Mr C would have owed each month without PPI – Mr C paid more than enough to clear his balance, the Co-op should also pay simple interest on the extra Mr C paid. And it should carry on paying interest until the point when Mr C would've owed the Co-op something on his credit card. The interest rate should be 8% a year. †

D The Co-op should tell Mr C what it's done to work out A, B and C.

† HM Revenue & Customs requires the Co-op to take off tax from this interest. The Co-op must give Mr C 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 this complaint. The Co-operative Bank plc is required to pay the compensation as set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr C to accept or reject my decision before 9 July 2015.

Barbara Wight  
**ombudsman**