

complaint

This complaint is about a single premium payment protection insurance ('PPI') policy Alpha Motorcycles Limited ("Alpha") sold to Mr L. Mr L says the PPI policy was mis-sold.

background

I issued a provisional decision in this case on 12 May 2015, which is attached and forms part of my final decision.

Since issuing my provisional decision, Mr L and the Business have confirmed that they have received my provisional decision. Neither Mr L nor the Business has submitted any new submissions or evidence for me to consider.

But the Business has made the following comment: we "*repeat what we have already said, which is because we arranged Payment Protection at the time, the rules stated that we had to offer this to everybody. We offered this to Mr L and he took it. We never actually sold it but we did arrange it.*"

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 have set out our general approach to complaints about the sale of PPI on our website and I have taken this into account in deciding Mr L's case.

Neither the Business nor Mr L has presented anything new for me to consider, and I don't see any reason to go behind my findings in my provisional decision. It follows that I do not uphold Mrs M's complaint.

For clarity I would like to briefly address the points the Business has raised in response to my provisional decision. The Business accepts that they offered the PPI to Mr L to purchase. Having considered the evidence, I agree that this is what took place. I also agree that Mr L accepted the offer. So a transaction took place between Mr L and the Business and so, I do think that they sold the PPI to Mr L.

putting 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. However, I understand Alpha Motorcycles Limited bought back the bike in May 2010. And in return, it paid off Mr L's loan.

This means Mr L didn't have to pay anything for PPI from May 2010 onwards. But Mr L needs to get back the extra he's paid between September 2007 and May 2010. So, Alpha Motorcycles Limited should:

- Work out and pay Mr L the difference between what he paid each month on the loan and what he would've paid without PPI.
- Add simple interest to the extra amount Mr L paid from when he paid it until he gets it back. The rate of interest is 8% a year.†

- If Mr L made a successful claim under the PPI policy, Alpha Motorcycles Limited can take off what he got for the claim from the amount it owes him.

† HM Revenue & Customs requires Alpha Motorcycles Limited to take off tax from this interest. Alpha Motorcycles Limited 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 I've explained, I uphold the consumer's complaint against Alpha Motorcycles Limited. Alpha Motorcycles Limited should pay Mrs M compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask the consumer to accept or reject my decision before 20 July 2015.

Marie Lewiecki
ombudsman

copy of provisional decision

complaint

This complaint is about a single premium payment protection insurance ('PPI') policy Alpha Motorcycles Limited ("Alpha") sold to Mr L. Mr L says the PPI policy was mis-sold.

background

Mr L took out a loan to buy a vehicle with Alpha in September 2007. He purchased a PPI policy alongside. The PPI policy that was sold to Mr L was a single premium policy. He had to borrow extra money to pay for the PPI. This amount was added to the main loan, and he paid extra interest for it. Mr L had to repay the money over the whole term of the loan, which was 60 months. The PPI policy provided Mr L with cover for the term of the loan.

Our adjudicator thought the PPI had been mis-sold. Alpha has disagreed with this assessment, so the matter has been passed to me for a final decision.

my provisional findings

I've considered all the available evidence and arguments to decide what's 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 currently intend to uphold Mr L's complaint.

Mr L and Alpha agree that Alpha sold the policy in a meeting. Alpha accepts that it recommended that Mr L take out the policy. So Alpha had to take reasonable steps to ensure that the policy was suitable and met Mr L's needs.

The policy had limits on the number of payments it would cover if Mr L made a claim. In particular, Mr L could only have claimed 12 monthly benefits for unemployment in total during the five year term of the policy. I don't think the benefits from the policy were sufficiently greater than the cost to make it good value for money for Mr L. He would've had to make almost the maximum unemployment claim to get back the cost of the policy. The total cost of the policy was shown on the loan agreement. But, on the information I've got, I can't see Alpha explained the benefits clearly to Mr L. And I can't see it explained how the limit on the number of payments that could be claimed would have affected the policy's suitability for Mr L. I also don't think it's likely that Mr L would've been able to work this out for himself when he was sold the policy.

Because of this I don't think Mr L would've bought the policy if he'd fully understood the cost and the benefits. This means Mr L is worse off as a result of what Alpha did wrong, so it should put things right.

putting 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. However, I understand Alpha Motorcycles Limited bought back the bike in May 2010. And in return, it paid off Mr L's loan.

This means Mr L didn't have to pay anything for PPI from May 2010 onwards. But Mr L needs to get back the extra he's paid between September 2007 and May 2010.

So, Alpha Motorcycles Limited should:

- Work out and pay Mr L the difference between what he paid each month on the loan and what he would've paid without PPI.
- Add simple interest to the extra amount Mr L paid from when he paid it until he gets it back. The rate of interest is 8% a year.[†]
- If Mr L made a successful claim under the PPI policy, Alpha Motorcycles Limited can take off what he got for the claim from the amount it owes him.

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

my provisional decision

For the reasons set out above, I intend to uphold Mr L's complaint against Alpha Motorcycles Limited.

Marie Lewiecki
ombudsman