

complaint

Mr A has complained that he was mis-sold payment protection insurance ("PPI") by Volkswagen Financial Services (UK) Limited ("VW").

background

Mr A bought PPI from VW in 2006 to cover the payments on a car loan. At the time Mr A had a previously existing medical condition.

An adjudicator has assessed the complaint and took the view that the PPI was mis-sold because VW didn't make it clear that the PPI policy wouldn't cover Mr A in the event that he needed to make a claim due to his medical condition.

VW have disagreed with this assessment and asked that the complaint be passed to an ombudsman for a decision.

my 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 A's case.

It seems that Mr A applied for the PPI after he took out the car loan. VW have agreed that this application was made by post. So VW didn't advise him to buy the PPI policy.

VW had a duty to provide sufficient, clear information about the policy and its terms and limitations to allow Mr A to make an informed choice about whether he wished to buy the cover offered.

Mr A had a medical condition which he knew about at the time he bought the PPI policy. In the policy summary, I can see that this condition would have been excluded from cover by the PPI policy.

The exclusion of Mr A's medical condition meant that if he'd been off work due to that condition, he wouldn't have been able to claim. And the nature of his condition meant that it was the most likely reason he'd have to claim. VW had a duty to make sure Mr A was aware of this exclusion at the time that he decided to buy the policy. Looking at the documents provided to me by VW, I can't see how it did that clearly.

VW says it was enough that the key facts highlighted about any pre-existing medical conditions. I don't agree. These terms were important exclusions which would affect a person's decision to take the cover, and in my view they need to be clearly highlighted to Mr A on the face of the application form. Mentioning the policy summary on the face of the application form and providing the detail of the exclusions on the bottom of page 3 of the PPI pack wouldn't have reasonably drawn the attention of Mr A to them.

I don't think that Mr A would've bought the PPI policy if the information about the exclusion of medical conditions had been more clearly brought to his attention. So I am upholding this complaint.

what the business should do to put things right

Volkswagen Financial Services (UK) Limited should

- Pay Mr A the value of the PPI premiums paid from the date of commencement to the date he gets it back.
- Add simple interest to the PPI premiums Mr A 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 A made a successful claim under the PPI policy, VW can take off what he got for the claim from the amount it owes him.

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

my final decision

I uphold this complaint and order Volkswagen Financial Services (UK) Limited to pay Mr A compensation as set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr A to accept or reject my decision before 19 March 2015.

Rebecca Haigh
ombudsman