

complaint

Ms M complains that Northern Bank Limited mis-sold payment protection insurance (PPI) to her, with a loan.

background

Ms M took out a personal loan with Northern Bank in 2001. She also bought a single premium PPI policy.

Ms M complains about various aspects of the way Northern Bank sold the PPI to her. In particular she says she bought the PPI because she was told that doing so would improve her chances of getting the loan. And she says the policy wasn't properly explained to her at the time, and wasn't suitable for her.

Our adjudicator felt her complaint should be upheld, as he thought the PPI that Northern Bank recommended didn't meet her needs, in view of her employment situation at that time.

But Northern Bank disagreed, so the matter's been passed to me for a final 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 Ms M's case.

For the reasons I've explained below, I've decided to uphold this complaint.

Ms M doesn't remember very much about how the PPI was sold to her. But Northern Bank's records show that it was in a face to face meeting, and I think that's likely to be right.

I've got no notes or records of the discussions between Ms M and Northern Bank. So I don't know what was said. I have to decide what's likely to have happened, based on the limited documents I've been sent and on what Ms M and Northern Bank have been able to tell us about the sales process.

Ms M says Northern Bank recommended her to buy the PPI. Northern Bank agrees with that. And I think they're both probably right. Which means Northern Bank had to take steps to identify her needs and check the policy would meet those needs, before recommending it.

I've not got a completed or signed loan application form or loan agreement, which isn't too surprising after so many years. Northern Bank has given us examples of the forms it believes will have been used. But I've not seen anything that tells me clearly what questions Northern Bank asked Ms M about her circumstances and needs, or what answers she gave.

Ms M says that at the time she bought the PPI she was a trainee professional. She says she was paid a salary by her employer, but was also studying too. I haven't seen her actual contract, but she's given us an example of a 'training agreement', which she tells us was broadly similar to her own. And she's sent us evidence that she didn't qualify in her profession until after the policy had ended. So I think it's likely what she says is correct.

Northern Bank says Ms M was working full time in a paid job, and so was eligible to benefit from the PPI. But I've read the PPI policy that Northern Bank sold her. It says that to be eligible for cover, at the start date Ms M needed to be at work which wasn't 'temporary work'. And the policy defines 'temporary work' as including 'training'.

As I've said, I think Ms M was a trainee at the relevant date. So in my view, if Northern Bank had clearly explained the policy terms to her, she'd have been concerned that she might not be eligible for cover. And she probably wouldn't have decided to buy it.

Northern Bank has sent us evidence suggesting the insurers might still have been willing to treat Ms M as eligible, if she'd made a claim. But I need to look at the position at the time the policy was sold. Doing that, I don't think it met Ms M's needs, or was in her interests, for Northern Bank to recommend that she should buy a policy where there was, at the very least, doubt about whether she could ever be entitled to make a claim under it.

I don't know whether Northern Bank asked Ms M about the nature of her job, and found out she was in training. But in my view it should've done. And when making a recommendation, Northern Bank ought to have taken this into account.

Even if Northern Bank gave Ms M any written details of the cover before she signed the loan agreement, that wouldn't in my view be enough, as I don't know whether she'll have read it, and it was reasonable for her to rely on Northern Bank's recommendation.

So based on what I've seen and been told, I'm not satisfied that Northern Bank did enough to find out about Ms M's needs. And in the light of her trainee role, I agree with our adjudicator that the policy which Northern Bank advised Ms M to buy wasn't right for her.

From what Ms M has told us, if Northern Bank hadn't recommended the PPI policy to her, and had advised her that she might well not be eligible for it, she'd probably not have bought the policy. I think it's likely she'd still have taken out the loan, but without PPI.

So I think Ms M paid more than she should've done, and that it's fair and reasonable to uphold her complaint. And I don't need to come to a view on the other issues she's raised about the sale.

I understand Ms M has also taken out other loans with Northern Bank. But this decision is limited to the sale of PPI with the loan she got in 2001.

fair compensation

Ms M borrowed extra to pay for the PPI, so her loan was bigger than it should've been and she paid more than she should've each month. So Ms M needs to get back the extra she's paid.

So, Northern Bank should:

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

- If Ms M made a successful claim under the PPI policy, Northern Bank can take off what she got for the claim from the amount it owes her.

† HM Revenue & Customs requires Northern Bank to take off tax from this interest. Northern Bank must give Ms M a certificate showing how much tax it's taken off, if she asks for one.

my final decision

For the reasons I've explained, I'm upholding Ms M's complaint.

Northern Bank Limited is to pay Ms M fair compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 9 July 2015.

Chris Langford
ombudsman