

complaint

Mr I complained that he was mis-sold a payment protection insurance (PPI) policy with a loan for a motor bike. The sale was made by Skellerns Motorcycles Ltd. However, Skellerns Motorcycles Ltd was acting as an Appointed Representative of ITC Compliance Limited ("ITC"). So ITC has responsibility for this complaint.

background

Mr I bought the PPI policy in June 2007 with a loan for a motor bike. ITC said that the sale took place during a meeting and Mr I was advised to take out the policy. Mr I said the PPI was added to the loan without his knowledge.

This was a single premium PPI policy. So the cost (£959.64) was added to the amount borrowed and was repayable over the 48-month term of the loan. The policy provided life, accident, sickness and unemployment cover for Mr I. If he'd successfully claimed on the policy for accident or sickness, it could've paid out for up to 24 months in total. For unemployment it could've paid out for up to 12 months in total

Our adjudicator thought that the policy wasn't suitable for Mr I, because he said he had health problems at the time of the sale. And she thought Mr I wouldn't have bought the policy if he'd understood this. So she upheld the complaint. ITC disagreed.

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 I's case.

I've decided to uphold Mr I's complaint. I'll explain why.

ITC sent us copies of various sales documents, including the loan agreement, demands and needs statement and policy details.

The loan agreement shows details of the credit and PPI – Mr I was borrowing just under £5,000 (plus the cost of the PPI) over 48 months. I can also see that Mr I signed separately on the agreement – and ticked a box - to say that he wanted the PPI. So from what's on the documents it looks as though Mr I was given a choice about taking the PPI, and that he agreed to do so.

However, Mr I was advised to take out the PPI, so the adviser had to make sure that the cover was suitable for him. I don't think it was.

Mr I told us he had a chronic condition at the time of the sale – and that this had started several years earlier. The policy document shows that existing health problems wouldn't have been covered unless the consumer had been symptom-free and not had treatment or consulted a doctor for 24 months before a claim. I think it's unlikely that Mr I would've been able to meet this condition given the nature of his health problems. As a result of this I think Mr I's PPI cover would've been limited.

ITC argued that the demands and needs statement showed that Mr I had been asked about his health and that he hadn't told the adviser about his condition. I accept that there is a question about health on the demands and needs statement – this says “*Is the customer free from any pre-existing conditions that may make them ineligible to benefit from any Life, Accident or Sickness cover?*” As the sale took place in a meeting, I can't know how the adviser explained this point, or what Mr I was asked. But if the question was put to Mr I in a similar way to the written question, I don't think he would necessarily have understood what information he needed to declare. And I've no reason to think he wouldn't have told the adviser about his health condition if asked.

Overall I don't think it's likely that the adviser made the exclusion clear enough to Mr I. And because Mr I's health condition limited the cover available to him, the adviser should've explained that this made the policy unsuitable for him.

I've also looked at what information Mr I might have received about the policy. I'm satisfied from the loan agreement that the premium was reasonably clear, and that Mr I could reasonably have understood that interest was chargeable on it, but, as I've said I can't know how the adviser explained the PPI. I have a copy of the PPI policy summary, but I can't know when in the sales process Mr I might have received it, or what opportunity he might've had to read it in any detail at the point of sale.

Overall, I don't think that the PPI was suitable for Mr I because of the limitation in cover resulting from his health problems. And I don't think Mr I would've taken out the policy if he'd been properly advised – I don't think Mr I would've wanted to pay for cover that he couldn't fully use. This means Mr I is worse off as a result of what ITC did wrong, so it should put things right.

I have another concern about this sale. The policy document shows that Mr I wouldn't have received a proportionate refund of the PPI premium if he'd repaid the loan early. I can see from the demands and needs statement that there's a note suggesting that Mr I intended to keep the motorbike for two years. But the loan was over four years - so it looks as though Mr I was likely to repay the loan early. There's no information to show that this was considered in making the PPI recommendation. But as I am upholding the complaint for the reasons shown above, I don't need to make a finding on this issue.

fair compensation

Mr I borrowed extra to pay for the PPI, so his loan was higher than it should have been. I understand the loan was repaid in 2010. Mr I paid more than he should have done each month and it cost him more to repay the loan than it would have. So he needs to get back the extra he's paid.

So, ITC should:

- work out and pay Mr I the difference between what he paid each month on the loan and what he would have paid each month without PPI;
- work out and pay Mr I the difference between what it cost to pay off the loan and what it would have cost to pay off the loan without PPI.
- add simple interest to the extra amount Mr I paid each month from when he paid it until he get it back. The rate of interest is 8% a year[†];

- if Mr I made a successful claim under the PPI policy, ITC can take off what he got for the claim from the amount it owes him.

† HM Revenue & Customs requires ITC to take tax off of this interest. ITC must give Mr I a certificate showing how much tax it's taken off if he ask for one.

my final decision

For the reasons I've explained, I've decided to uphold Mr I's complaint. ITC Compliance Limited must pay him the compensation I've described.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 3 January 2017.

Jan Ferrari
ombudsman