

complaint

Mr C complains about the sale of a payment protection insurance (“PPI”) policy by Tesco Personal Finance PLC (“Tesco”) when he took out a personal loan.

background

Mr C applied for a personal loan online. At the same time he bought a single premium PPI policy. This would’ve covered his repayments on the loan for up to the full term of the loan if he was too ill to work, or for up to 12 months at a time if he was made redundant. It also offered critical illness and life cover along with a few other benefits.

The cost of the policy was added to his loan and he paid interest on it.

Mr C complains that he wasn’t given enough information about the policy and it wasn’t explained to him. He says it was added without his agreement.

The adjudicator thought that Mr C’s complaint should be upheld. Tesco disagree, so it’s been passed to me to make 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 PPI on our website and I’ve taken this into account when deciding this case.

Mr C applied for the loan and PPI online. Tesco didn’t advise Mr C to buy the policy, but it still had an obligation to make sure he had enough information so he could decide if it was right for him. I’ve seen the pages he’d have gone through to buy the PPI and I’m satisfied he had a clear choice about whether to take it. He couldn’t progress through the application for the loan without saying whether he wanted it or not. So I’m satisfied he had a clear choice about it.

But I don’t think the information Tesco gave him at the point where he needed to decide if he wanted PPI was good enough. Mr C could click through to different pages which explained some of the terms and conditions to him, but he didn’t *have* to do this. And even if he did I think it missed telling him about one of the terms which would’ve been important to him.

Mr C was consolidating other debts he had by taking out this loan. So I think he would’ve needed some flexibility with the PPI in case he wanted to do this again during the term of the loan. But if he’d paid off the loan early, or consolidated this loan into another, he wouldn’t have got a pro-rata refund for the PPI he wouldn’t be using.

Mr C wasn’t told this at the point of sale, although the policy booklet sent to him after he agreed to buy it did explain this. But he’d already decided to buy it by then and he needed this information when the policy was sold to him.

I think if Mr C had been told about the conditions relating to settling his loan early then he’d have thought the PPI didn’t offer him good value for money and he’d have decided not to buy it. So he’s worse off as a result of what Tesco did wrong.

I also have some concerns about the way the cost was disclosed to Mr C but as I intend to uphold this complaint for the reasons I've already given I'm not going to consider this issue further.

putting things right

Mr C 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. So Mr C needs to get back the extra he's paid.

So, Tesco should:

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

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

my final decision

I'm upholding Mr C's complaint and direct Tesco Personal Finance plc to pay compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 July 2015.

Sally Allbeury
ombudsman