Financial Ombudsman Service

complaint

Mr H complains that Auto Accept Finance Limited mis-sold him payment protection insurance (PPI).

Auto Accept Finance Limited (Auto Accept Finance) was an appointed representative of ITC Compliance Limited (ITC), which is responsible for answering this complaint

background

In 2009, Mr H out a £6,673 loan over five years to buy a motorcycle. Auto Accept Finance Limited arranged the loan.

Mr H borrowed an extra £734.03 (excluding interest) to pay for the policy, which was added to his loan and which he repaid with interest over the whole loan term.

Our adjudicator upheld the complaint. He didn't think the policy was suitable for Mr H because he'd only get a very limited refund if he cancelled it early. ITC disagreed. It said it gave Mr H enough information about the cancellation terms of the policy. And it's sales adviser couldn't have been expected to know if Mr H would've settled his loan early.

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'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 H's case.

I've decided to uphold Mr H's complaint.

ITC advised Mr H to buy the policy. So it had to take steps to make sure it was right for him– as well as giving him information about the policy, which was clear, fair and not misleading.

Mr H has told us that when he took out his loan in 2009 he already had a five-year loan with Auto Accept Finance from when he'd bought another motorcycle in 2007. From looking at a copy of Mr H's loan agreement, I can see that he settled his 2007 loan early by trading in the motorcycle he'd bought in 2007. So I think it was likely that Mr H would want to settle his loan early. And it seems ITC knew Mr H might do so. I understand that Mr H did in fact settle his 2009 loan after only 10 months.

ITC have given us a copy of the full policy document. And I can see that Mr H would have been given a limited (not proportionate) refund if he cancelled it early. ITC should have taken account of that in making sure the policy was suitable for Mr H.

ITC says Mr H was given pre-contract information about the cancellation terms at the point of sale. But having seen this document I don't think it fairly and clearly brought the non-proportionate refund to Mr H's attention so that he could understand the significance for his circumstances. There was a table of percentages of refund upon cancellation in the summary but without further explanation and/or highlighting, I don't think this sufficiently brought the feature to Mr H's attention. I think that if ITC had properly brought this to Mr H's attention he wouldn't have decided to buy the policy.

Having considered everything on balance, I think ITC were aware that it was on Mr H's mind he may have to cancel the policy early. Because the policy only provided a limited refund if it was cancelled early I don't think it was flexible enough for Mr H's needs. For this reason, I don't think the policy was suitable for Mr H and, if ITC had made this clear, I don't think Mr H would have bought it. As ITC didn't give Mr H, enough information about the policy Mr H was disadvantaged as a result. And it follows that I uphold this complaint.

what ITC should do to put things right

Mr H borrowed extra to pay for the PPI, so his loan was bigger than it should've been. He paid more than he should've each month and it cost him more to repay the loan than it would've. So Mr H needs to get back the extra he's paid.

So, ITC should:

- Work out and pay Mr H the difference between what he paid each month on the loan and what he would've paid without PPI.

- Work out and pay Mr H 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 H paid 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 H 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 off tax from this interest. ITC must give Mr H 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've decide to uphold Mr H's complaint and direct ITC Compliance Limited to pay Mr H compensation as set out in this decision. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 May 2016.

Sharon Kerrison
ombudsman