

complaint

Mr P says Rider Motorcycles Ltd mis-sold him a payment protection insurance (PPI) policy.

background

This complaint is about a PPI policy which Mr P took out in 2007 with a loan to buy a motorbike.

Our adjudicator didn't recommend that the complaint should be upheld. Mr P disagreed with the adjudicator's opinion, so the complaint was passed to me.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr P and to Rider Motorcycles Ltd on 13 March 2017. I summarise my findings:

- Rider Motorcycles had a responsibility to give Mr P information that was clear, fair and not misleading so he could make an informed decision about whether to buy the PPI.
- Rider Motorcycles has provided a copy of an undated "Needs and Demands Statement", which appears to have served as Mr P's application for the PPI. It lists three different levels of cover. The "Silver" level of cover says "Covers Life, Accident, Sickness" and there's a figure of £95.53 beside it, which has been ticked. Beneath that, Mr P's signed in a box saying "*I have accepted they [sic] payment of £95.53. The level of cover has been explained to me*".
- I could see from the credit agreement that £95.53 was actually the regular monthly repayment on the loan including the PPI premium for silver cover. But I didn't think this would have been apparent from the Needs and Demands Statement. What's more, I wasn't fully satisfied that the reference to having "accepted" a payment would have made it clear to Mr P that he was agreeing to *make* a payment.
- Even if Mr P did realise the reference was to a payment he'd have to make, I thought it was possible that he'd have thought the figure was a one-off payment for the PPI, covering the whole term of the loan. In fact, the PPI premium was more than £600 (and a little short of £900, including interest). And even if the seller explained at the time that £95.53 was the monthly loan repayment, I wasn't satisfied that it would have been clear to Mr P how much of it was for the PPI. The cost of the policy isn't shown anywhere on the form.
- I also noted that the Needs and Demands Statement included an alternative box for signature. It said "*I have decided after having all the options explained that I am prepared to take a High Risk Agreement. I understand that I am at risk if I do not keep up payments on this loan*". I thought the description of the option as "High Risk" was misleading, and was designed to persuade Mr P to sign the other box (as he did) even though he may not have fully understood what he was signing for. And I accepted that Mr P may have signed the statement under the impression that he had no realistic choice but to take the PPI.
- Mr P paid for the PPI with a single, lump-sum premium, which was added to the loan at the start. It's true that the premium was shown on the credit agreement, which Mr P

signed. And the interest payable on the premium and total cost of the PPI were also shown, although they were in a different part of the form. But when Mr P signed the credit agreement, he'd already agreed to take the PPI. The agreement contains a lot of figures, and I thought it was possible that Mr P didn't read through it in great detail. And although the PPI is described on the credit agreement as "optional", this is in small print, which I thought Mr P could easily have missed.

- Taking everything into account, I wasn't confident that Rider Motorcycles presented Mr P with a choice that was easy to understand at the point of sale. I thought it was unfair to present the option of not taking the PPI as "high risk". And I wasn't satisfied that it presented the information Mr P should have been given in a clear or fair way. I thought there was a strong risk that he didn't fully understand that he didn't need to have this type of cover with his loan. So I thought the policy was mis-sold. And I thought Rider Motorcycles should take the action I've set out under the heading "putting things right" below.

further submissions

Mr P says he has nothing further to add. Rider Motorcycles hasn't made any comment on my provisional decision, and the deadline for doing so has now passed.

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 P's case. Having done so, I can see no reason to depart from the findings in my provisional decision.

putting things right

Rider Motorcycles should put Mr P in the position he'd be in now if he hadn't taken out this PPI policy. It should now:

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

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

my final decision

My decision is that I uphold this complaint. I require Rider Motorcycles to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 22 May 2017.

Juliet Collins
ombudsman