

complaint

Mr F complains about a single premium payment protection insurance (PPI) policy sold to him by Northern Bank Limited (Northern Bank). He says Northern Bank didn't make him aware the policy was optional. And he didn't need it.

background

I issued my provisional decision in December 2014, a copy of which is attached and forms part of this final decision. In my provisional decision, I explained why I was minded not to uphold Mr F's complaint. I invited both parties to let me have any further submissions before I reached a final decision. Both Northern Bank and Mr F have confirmed they have each received my decision and have not provided anything further.

my findings

I have reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. As neither party has provided any further evidence or arguments for consideration, I see no reason to depart from the conclusions set out in my provisional decision. It follows that I affirm my provisional decision not to uphold Mr F's complaint.

my final decision

For the reasons I've explained, I do not uphold Mr F's complaint and make no award against Northern Bank Limited.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr F to accept or reject my decision before 9 February 2015.

Sharon Kerrison
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr F complains about a single premium payment protection insurance (PPI) policy sold to him by Northern Bank Limited (Northern Bank). He says Northern Bank didn't make him aware the policy was optional. And he didn't need it.

background

In 2004 Mr F took out a £1,000 loan over 12 months to buy a motorcycle. Mr F took out the loan during a telephone call with Northern Bank. At the same time Northern Bank sold him a single premium PPI policy. The policy gave him life, accident, sickness and unemployment cover for the term of the loan. It also offered him life insurance.

The policy covered Mr F's loan repayments of £101.74 until he could go back to work if he made a claim for accident or sickness. And up to 12 months if he lost his job. The policy cost £114.00, which was added to the loan and attracted interest over the term of the loan. The total cost of the policy with interest was £124.94.

Our adjudicator upheld the complaint. She thought Northern Bank didn't make it clear to Mr F that the policy was optional. Northern Bank disagreed.

my provisional findings

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I think the issues in this case are the same as those set out in the information on our website, which explains our approach to complaints about the sale of PPI.

I realise this may be disappointing but I've provisionally decided not to uphold Mr F's complaint.

Mr F has told us that the policy was sold during a meeting. Northern Bank has told us that the policy was sold during a phone conversation with Mr F. And following the call it sent Mr F a credit agreement to sign. The evidence I've seen tends to support Northern Bank's explanation of how the policy was sold.

Mr F says he wasn't given a choice about taking out the policy. He says *'I was informed I would not get the loan if I did not take out the insurance.'* Northern Bank doesn't agree. It says it presented the policy as optional to Mr F. And gave him enough information so that he could make an informed choice about whether he wanted to take out the policy.

There's no call recording. Instead Northern Bank has given us a sales script, which I accept was likely to have been followed. Having looked at the script, I have some concerns about whether Mr F would have understood, during the phone call, that he had a choice about taking out the policy – or that he'd been asked to make a choice.

But the sales script isn't the only evidence I've looked at in reaching my decision. After the phone call Northern Bank says it sent Mr F a credit agreement to read in his own time. He would then have gone through it and signed it with a sales adviser at his local branch a few days after the call.

Northern Bank hasn't been able to give us Mr F's signed credit agreement. Instead it's given us an example of the type of agreement it says was used at the time. I think it is likely to give a fair picture of what Mr F would've seen before he signed to take out his loan and the policy.

The credit agreement set out all the information about the cost of the policy; the single premium, interest to be charged on it, the total cost and monthly cost. It set this out clearly and separately to the figures for the loan. So I think Mr F would've understood the policy was a separate product.

Mr F would also have had to sign to accept the loan. And below this was separate section headed '*Fixed Tailored Personal Loan Protection Plan*' which asked Mr F to accept or decline the policy. It showed two tick boxes, next to two 'yes' or 'no' statements, which were the same size and equally likely to be seen by Mr F. And Mr F would also have to sign to show he wanted to take out the policy.

I know Mr F says he was told he had to take out the policy. But based on what he has told us about his circumstances I think it's equally as likely that Northern Bank told Mr F it was a good idea for him to take out the policy. This is different to saying he *had* to take out the policy. And I've not seen anything in the paperwork I've looked at which would have given Mr F the impression that his loan wouldn't be approved if he didn't take it out. From what I've seen I think Mr F would've understood he had a choice about whether or not to take out the policy before he signed to buy it.

Based on the evidence I think Northern Bank advised Mr F to take out the policy. So it had to make sure the recommendation was right for him. Based on the information Mr F has given us about his circumstances at the time, I think it was.

Mr F says he didn't need the policy because he had some sick pay, savings and could have relied on his family to help meet his loan repayments if for some reason he couldn't work. But the policy would have paid his monthly loan repayments for up to 12 months if he lost his job, which was the term of the loan. And it would pay out until he could go back to work or the loan was paid off, if he had an accident or was off work sick. So he could have used his sick pay for other expenses and left his savings intact. And not have to rely on his family to pay off his loan, which they might not have been able to do if their circumstances changed.

I don't think Northern Bank properly explained the cost of the policy to Mr F during the phone call. But I've already said the cost of the policy was clearly set out in the loan agreement. And I don't have any evidence to suggest Mr F couldn't afford the policy at the time.

I acknowledge Mr F's representative comments about the cost of the policy. But given that Mr F could potentially claim for the entire term of the loan if he lost his job or couldn't work if he was sick. So I think the benefits outweighed the cost.

Overall, taking into account what Mr F has told us about his circumstances at the time of the sale, I think the policy would have provided him with a worthwhile benefit and I don't think it was wrong for Northern Bank to recommend it to him.

Northern Bank also needed to give Mr F enough information so that he could decide whether the policy was right for him. Northern Bank says it explained the terms and conditions of the policy at the time and gave Mr F a policy summary. It also says it sent a policy document to him after the sale.

I can't be certain if Mr F received, read or fully understood these documents. And I don't know how clearly the sales adviser explained everything – especially the things not covered by the policy such as pre-existing medical conditions. But, I don't think that would have made Mr F decide not to buy the policy, because he wasn't affected by those things.

Based on what Mr F has told us about his circumstances, I think fuller information would have shown him that the policy provided useful potential benefits, which would have been of value to him if he couldn't work. This means Mr F isn't worse off as a result of what Northern Bank did wrong, so there's nothing it needs to do to put things right.

my provisional decision

For the reasons I've explained, I currently propose not to uphold Mr F's complaint.

Mr F and Northern Bank now have until 6 January 2015 to send any further evidence or comments they want me to consider.

Sharon Kerrison
ombudsman