

complaint

Mr M complains that Alfs Motorcycles (“Alfs”) mis-sold him payment protection insurance (“PPI”) when he entered into a hire purchase agreement to buy a motorcycle.

background

Mr M bought a motorcycle in January 2007 and took out a single-premium PPI policy at the same time to cover his loan. The policy was taken out over three years and would’ve covered his loan repayments for up to 12 months if he became unemployed and for up to the full three years of the loan if he had an accident or was too ill to work. It also included life cover.

Mr M says he was told he would have a better chance to get the loan if he bought PPI and that the policy wasn’t appropriate for his needs.

Our adjudicator didn’t uphold Mr M’s complaint. He doesn’t agree, so the case has been passed on to me to make a final 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 the sale of PPI on our website and I’ve taken this into account in deciding this case.

was Mr M given a fair choice about taking out PPI?

The PPI policy was sold to Mr M during a meeting. I don’t know what exactly was discussed and so I have to decide what most likely happened based on what information is available.

Mr M says he was told PPI would improve his chances of getting credit. Looking at the documents from the time of sale, I can see that PPI is included in the hire purchase agreement and is shown as “optional”. Mr M ticked a separate box for PPI and signed separately for the policy.

I appreciate that it’s *possible* Mr M was told that his chances to get the credit were better with PPI. And I think it’s likely that Alfs wanted to sell PPI to Mr M. However, as the sales documentation given to Mr M suggested that it was an optional policy I think it’s most likely Mr M would’ve understood he had a choice when taking it out.

In response to the adjudicator’s view Mr M’s representatives said that Mr M *could’ve* been pressured into buying PPI. However, Mr M didn’t raise this argument before and I haven’t seen anything that supports this statement.

was the policy recommended to Mr M, and if so, was it suitable?

Alfs confirmed that it advised Mr M to take out the policy. This means it had to make sure that the policy was suitable for him.

Looking at the policy document I can see that Mr M was eligible for the policy.

Mr M told us that he was entitled to six months full sick pay, followed by six months half sick pay. He said he had no savings or other means to repay his loan if he couldn't work.

Although Mr M had good employment benefits, I still think the PPI policy offered him protection I think he would've found useful. The policy would've paid out in addition to his sick pay and for potentially much longer. And if Mr M had lost his job, I think he quite quickly would've found it difficult to repay his loan.

Mr M wouldn't have received a proportionate refund if he cancelled PPI early. But I haven't seen any information to suggest Mr R needed the flexibility to cancel the policy early at the time of sale.

The policy also didn't include any terms which would've made it difficult for Mr M to make a claim. And I've seen no indications that the policy wasn't affordable for him.

For these reasons I think the policy was suitable for Mr M.

did Alfs give Mr M enough information about the key features of the policy that was clear, fair and not misleading?

The hire purchase agreement showed the separate cost of the PPI premium that was added to the loan. It showed the interest Mr M needed to pay and the total cost of the policy. So I think the cost of the policy was made clear enough to Mr M.

I don't know what was discussed about the rest of the policy and its main features or how it was presented to Mr M. However, even if he didn't receive as good information as he could've, I don't think this would've made a difference to Mr M's decision to take out PPI.

I think he still would've bought the policy. I say this for the same reasons I already explained above.

my final decision

I'm not upholding Mr M's complaint for the reasons set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 14 October 2015.

Nina Walter
ombudsman