

complaint

Mr B complains that Phillip McCallen Motorcycles Ltd (PMM) mis-sold him a single premium payment protection insurance (PPI) policy when he took out a personal loan.

background

The loan was taken out by Mr B in 2007 for £6,800 to buy a motorcycle. The initial cost of the PPI was just over £1,200. Interest was not charged on the loan or the PPI.

The policy covered Mr B's monthly loan repayments for accident and sickness for a maximum of 24 months. It also covered him for unemployment for a maximum of 12 months. If Mr B had died, the policy would have paid the balance of the outstanding loan.

Our adjudicator considered the complaint and didn't uphold it. Mr B's representative rejected the adjudicator's view and made further representations that:

- the monthly interest payments were considerable;
- Mr B was unlikely to be made redundant and so had little need for cover; and
- the policy was not suitable for Mr B.

The complaint has been passed to me for a decision.

my findings

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I've taken into account our normal approach to PPI complaints, which is explained in the technical note about PPI in the 'publications' section of our website.

I've also read and carefully considered all of the further submissions from Mr B's representative.

I've decided to not uphold Mr B's complaint and set out my reasons below.

was Mr B given a choice to take PPI?

Although I've seen a copy of the loan agreement, the evidence in this case is very limited. This means that I need to make reasonable assumptions about what's most likely to have happened at the time.

Mr B has said that he didn't ask for or want PPI and that PMM '*implied that it would be better to take insurance*'. PMM have said that the PPI was discussed with Mr B at the initial sales meeting and then he was given all the information to read at home. They say he was then asked 3 days later, when he came to collect the motorcycle, whether he wanted to take PPI. PMM have referred to the loan application form which suggests that the PPI was optional.

As these were face to face meetings, it's difficult for me to know what may have been said.

It is *possible* that Mr B was given the impression during the meetings that he didn't have a choice to take the PPI. However, it is just as likely he chose to take out the policy and then forgot he'd chosen it years later.

The loan agreement sets out the cost of the PPI, called 'Payment Protection Plan', and has a separate section for the insurance. Mr B has signed the agreement for the loan. The box has also been ticked confirming Mr B wanted to purchase the payment protection. Even if Mr B did not, himself, tick the box to take PPI, I can see he signed separately underneath this to agree to take out PPI.

Taking into account everything Mr B has said and the loan application form signed by him, I don't think PMM failed to give Mr B a choice to take PPI.

was the policy suitable for Mr B?

PMM says the sale was advised. Because of this, they should've made sure the policy was suitable for Mr B's needs.

PMM have said they completed a 'demands and needs' form at the time of sale but this has since been destroyed as they only keep records for 5 years. Because of this, I cannot be sure what happened when PMM considered whether or not the policy was suitable for Mr B. However, based on Mr B's circumstances at the time of the sale, I think that the recommendation to take out the PPI policy was suitable. I set out my reasons for this below.

- Mr B was eligible for the cover.
- Mr B does not seem to have been affected by any of the things the policy didn't cover, such as pre-existing medical conditions.
- Mr B tells us he had no other policies or savings to help in the event he could not make the repayments so there was a potential need for cover.
- There seems to be some confusion about what sick pay Mr B would have been paid by his employer if he had been unable to work due to sickness. In our PPI questionnaire, Mr B says he had no sick pay. In the original letter to the business, his representatives said he would have been paid 6 months full sick pay. Even so, the policy would've covered him for a longer period of sickness than his employer would pay and this shows there was some need for cover. The policy would've also paid out on top of any sick pay he had, so it might have been helpful to someone in his particular circumstances.
- Mr B says his family may have been able to help him out. However, people's financial commitments can change and his family may not have been able to help even if they wanted to. I think that this also shows that there was a potential need for cover.
- The policy provided cover matching the loan term and could potentially have paid a benefit of up to 36 months loan repayments in total. Mr B would have needed to claim for 6 months to get back more than the original cost of the policy. So I think the policy offered a reasonable level of benefit against its cost for Mr B and I've not seen anything to suggest that that cost was unaffordable for him at the time of the sale.
- Although the policy would give Mr B a refund if he paid the loan off early, this would not have been proportionate. However, I haven't seen anything to suggest that, at the time of the sale, Mr B intended to repay or refinance the loan early. So I don't think the cancellation terms made the policy unsuitable for him.

was Mr B given sufficient information about the policy?

PMM say Mr B received relevant information about the policy at the point of sale and afterwards. Mr B says that no health questions were asked although he had confirmed he does not have a pre-existing medical condition. It's possible there were some gaps in the information provided by PMM, but for the reasons I've set out above, I don't think he'd have been put off by any such gaps.

In summary, I am satisfied that Mr B was aware of the optional nature of the policy, that the recommendation was suitable for him and that better information was unlikely to have prevented him from taking out the policy.

my final decision

For the above reasons, I've decided not to uphold Mr B's complaint and so there's nothing that Phillip McCallan Motorcycles Ltd need to do to put things right.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr B to accept or reject my decision before 24 November 2014.

Rebecca Ellis
ombudsman