

complaint

Mr L says Hills Garages (Woodford) Ltd. ('Hills') mis-sold him payment protection insurance (PPI) when he took out hire-purchase for a car.

background

In June 2007 Mr L bought a car from Hills. He paid a large cash deposit and traded in a car. He took out hire-purchase for the rest. Hills sold him PPI with the credit. The policy was paid for by a single premium that was added to the credit and gathered extra interest.

Our adjudicator considered the complaint. They didn't think Hills had mis-sold the policy. Mr L disagrees so I was asked to consider the matter. I came to a different conclusion, so I issued a provisional decision. My thinking was as follows:

"Mr L says he was advised to buy the policy. But Hills says it didn't give advice about or recommend PPI. I see the agreement says "this recommended policy is optional". But on its own, that's not enough to make this an advised sale. And there's nothing else to suggest that Hills advised Mr L to buy it, such as an assessment of his need for protection. So I think this was likely a non-advised sale. That means Hills didn't have to make sure the policy suited Mr L. But it did have to tell him enough about the policy to decide for himself if he wanted to buy it.

It's not clear what was said to Mr L in the meeting or how well it was explained. In particular Hills hasn't been able to show me what information it gave Mr L about the benefits of the policy. In fact, it hasn't been able to tell me what the benefits of the policy were at all. Mr L says "I was not given any information prior to taking out the insurance". The only document available is the agreement he signed. That shows how much the policy would cost him over the five year hire-purchase period. But doesn't mention what protection he was getting for that money. So I don't think Hills explained the benefits of the policy well enough to Mr L.

But would better information have made any difference? I see that:

- Mr L had 6-12 months' sick pay benefits with his employer, savings worth 3-6 months of his salary and was a regular saver. I see that he paid a large cash deposit. And he's said he was persuaded not to buy the car outright, but take out some finance, so that he still had some savings left if he needed them. So I think it's likely Mr L could've covered his outgoings for at least a year if he'd been off sick.*
- Mr L had been with his employer (a large company) for 10 years when he was sold the policy. And indeed, he appears still to be working there. In any event, he'd have been entitled to a fairly substantial redundancy payment if he'd lost his job, and had the savings I've mentioned. So I think he was secure in his job, but knew if he lost it he'd have been able to meet his outgoings for at least six months.*
- Hills can't show me a policy document or tell me what the policy's benefits were. From what we know about policies like this at the time, I think it's likely it offered accident, sickness and unemployment cover for up to a year. So this policy didn't offer Mr L significantly more protection than the other means he already had. And it cost him over £1,200, which was more than 25% extra on top of the hire-purchase costs for the car.*

Based on this, if Mr L had been told everything he should've been, I don't think he'd have thought the policy was good value. So I think better information would likely have made him decide not to buy it."

Mr L and Hills have seen the provisional decision and responded. Neither has provided any further comments or information that changes my mind.

my findings

I've reconsidered 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. Having taken this into account, I've decided to uphold Mr L's complaint. I'll now explain why.

Since neither party has provided any new information or comments that have changed my mind, I've reached the same conclusions as in my provisional decision and for the same reasons. Although Mr L has said he remembers that the loan ran to term. So I've been able to be more specific about how Hills should put things right.

putting things right

Mr L says the loan ran to term. On this basis, Mr L 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 have. So Mr L needs to get back the extra he's paid.

So, Hills should:

- A. Work out and pay Mr L the difference between what he paid each month on the loan and what he would've paid without PPI.
- B. Add simple interest to the extra amount Mr L paid from when he paid it until he gets it back. The rate of interest is 8% a year[†].
- C. If Mr L made a successful claim under the PPI policy, Hills can take off what he got for the claim from the amount it owes him.

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

my final decision

My final decision is that I uphold Mr L's complaint and require Hills Garages (Woodford) Ltd. to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 27 March 2017.

Mike Foster
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