

Mr W complains that DFS Trading Limited (DFS) mis-sold him a payment protection insurance (PPI) policy. He says DFS didn't make him aware the policy was optional. He also says the policy wasn't suitable for him because he was self-employed. And he didn't need it.

background

In 2005, Mr W took out a £1,723 loan to buy some furniture. At the same time, DFS sold him a monthly premium PPI policy. The monthly cost of the policy was £36.73. And it covered him if he was off sick or if he lost his job. It also offered Mr W life cover.

If Mr W made a successful claim on the policy for accident, sickness or unemployment, it would've covered his monthly loan repayments of £330.57 for up to 12 months if he lost his job and up to 36 months if he couldn't work because he was too sick.

Mr W took out his loan over 18 months – but Mr W didn't have to make any payments for the first year. So he only had to make 6 monthly payments in total.

Our adjudicator upheld Mr W's complaint. He thought DFS shouldn't have recommended the policy to Mr W without pointing out to him that it wouldn't meet all of his needs because he was self-employed. He also thought the policy didn't meet Mr W's needs, because the PPI didn't come into effect until month 13 of the loan. And Mr W had already told us he had enough cover to pay the loan payments for 6 months if he couldn't work.

DFS didn't respond to the adjudicator's view. Previously it had told us it recommended the policy to Mr W because he didn't have enough protection in place to cover his loan repayments.

my findings

I've considered all the available evidence and arguments to decide what is 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 W's case.

I've decided to uphold Mr W's complaint.

It's agreed that this was an advised sale. So not only did DFS need to provide Mr W with clear, fair and not misleading information, it also needed to take reasonable steps to ensure the policy was suitable for Mr W's needs and circumstances.

was Mr W aware the policy was optional?

I know Mr W says DFS didn't make him aware the policy was optional. But from looking at the documents provided by DFS I don't agree. I think DFS made it clear to Mr W that the policy was optional. And Mr W would've been aware he had a choice about taking out the policy.

was the policy suitable for Mr W?

Mr W was self-employed when he took out the policy. So I've studied the policy terms and conditions which DFS has previously submitted to us to see whether he would've been affected by them. The policy states a self-employed policyholder couldn't claim the unemployment benefit of the policy unless they had *ceased to trade through insolvency*.

The policy document also sets out that if Mr W became bankrupt or his business ceased trading due to insolvency he had to provide evidence from an accountant that his final accounts had been prepared and submitted to the Inland Revenue. And evidence from his bank that his trading account had been frozen.

In my view, this made it more difficult for Mr W to rely on the unemployment cover because he would need to do something over and above what an employed person who'd been made redundant would've had to do to make a successful claim. And the steps Mr W would've had to take would likely incur additional cost and delay.

DFS should've clearly brought this limitation to Mr W's attention as a significant term at – or before the point of sale, that is when he actually decided whether or not to take out the policy. And taken it into account when it advised Mr W to buy this policy. I haven't seen any evidence that DFS did this.

I've also got some concerns about whether Mr W actually had a need for the policy. I say this because the loan payments were quite high, because the loan was repaid over such a short amount of time. And I've weighed that against what Mr W's told us about his circumstances. He's told us he had some savings he could use to cover the payments.

In his particular circumstances, I can't see that Mr W had any need for the policy. I don't think he would've thought it was good value, or that it offered him a potentially worthwhile benefit, if DFS had pointed that out.

I've taken into account all of DFS's comments that Mr W had no other cover in place. But for the reasons I've already explained I don't think the policy was suitable. This means Mr W has lost out because of what DFS did wrong when it sold the policy and it should put this right.

fair compensation

Mr W should be put back in the position he would've been in now if had taken out the agreement without the PPI policy. I understand that both the loan and PPI policy have now ended.

DFS should therefore pay Mr W the premiums he has paid towards the policy. And it should pay Mr W simple interest for each monthly premium from when he paid it until he gets it back (the rate of interest is 15% a year until April 1993 and 8% a year from then on†). DFS should show Mr W how it worked this out. And if Mr W made a successful claim under the policy DFS can take off what Mr W got for the claim from the amount they owe him.

† HM Revenue & Customs requires Mr W to take off tax from this interest. DFS must give Mr W a certificate showing how much tax they've taken off if he asks for one.

my final decision

For the reasons I've explained, I've decided to uphold Mr W's complaint and direct DFS Trading Limited to pay him compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr W to accept or reject my decision before 10 July 2015.

Sharon Kerrison
ombudsman