

complaint

Mrs G complains as a director of M, a limited company, about a mis-sale of payment protection insurance ("PPI") by The Royal Bank of Scotland Plc ("RBS"), an appointed representative of Lombard North Central Plc.

background

The late Mr G, who was also a director of M, took out a lease purchase agreement for the company in October 2008 to buy a vehicle. RBS sold him a PPI policy at the same time. Our adjudicator upheld Mrs G's complaint. RBS didn't agree, so the case has been passed to me for 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.

Having looked at the available evidence in this case, I believe RBS didn't make a recommendation to buy the policy. However, it still had to provide information about the main features of the policy that was clear, fair and not misleading.

The policy would've paid off the outstanding balance of the loan if Mr G passed away or if he became permanently and totally disabled, leaving him unable to work. However, the life cover wouldn't have paid out if Mr G had a medical condition he knew about and then passed away as a result of this condition.

At the time of sale Mr G suffered from a medical condition which required him to take daily medication and see his doctor every six months. Due to the sort of medical condition Mr G had, I think there was a high risk he could've been caught out by this policy term.

RBS provided an insurance sales prompt sheet which it says would've been used by the sales advisor when talking to consumers about the policy. It told the sales advisor to use the policy summary to go through the features and benefits of the policy as well as all the significant limitations and exclusions. However, I don't know how much detail was given about the exclusions and if enough attention was drawn to them.

A copy of the policy summary would've been given to Mr and Mrs G during the meeting. And, as RBS has rightly pointed out, the document does mention the exclusion of pre-existing medical conditions. But I don't know how much time Mr and Mrs G were given to read it. Also I think it's more likely that if the sales advisor explained the policy to them they might not have felt the need to read the document in detail.

On balance I'm not persuaded that the exclusions were presented clearly enough to Mr and Mrs G. And if they had realised that Mr G's medical condition meant a claim on the life cover wasn't very likely to be successful, I think they wouldn't have bought the policy.

putting things right

RBS should put M in the position it'd be in now if PPI hadn't been taken out. RBS should:

- Pay M the amount that was paid each month for the PPI
- Add simple interest to each payment from when it was paid until it gets it back. The rate of interest is 8% a year†.
- If Mr G made a successful claim under the PPI policy, RBS can take off what he got for the claim from the amount it owes M.

† HM Revenue & Customs requires RBS to take off tax from this interest. RBS must give M a certificate showing how much tax it's taken off if Mrs G asks for one on M's behalf.

my final decision

For the reasons I've explained I'm upholding this complaint and direct The Royal Bank of Scotland Plc to compensate M as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G on behalf of M to accept or reject my decision before 10 July 2015.

Nina Walter
ombudsman