Financial Ombudsman Service

complaint

Mr and Mrs C complain that Bank of Scotland plc (trading as Halifax) mis-sold payment protection insurance (PPI) to them.

background

In 2001 Mr and Mrs C arranged to take a secured personal loan to pay for some home improvements, and at the same time were sold monthly premium PPI to protect payments on the loan. The PPI covered Mr C only. The loan was repaid in 2007. Mr and Mrs C told us that they had felt pressurised/led to believe that they needed to take PPI to get the loan approved. It hadn't been explained to them. Mr C had had generous benefits from his work.

Our adjudicator recommended that the complaint was not upheld. Mr and Mrs C disagreed so the complaint has been passed to me for review and 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 considering Mr and Mrs C's case.

It wouldn't be wrong for Halifax to encourage Mr and Mrs C to consider taking PPI to protect their loan repayments – particularly when this was quite a substantial loan secured against their home. Other than their recollection I haven't seen any evidence to suggest that they were put under undue pressure to take the PPI, or led to believe that they had to take it to get the loan. To the contrary the documents they signed seen to me to make it clear that the PPI was optional and that they chose to take it, knowing that. I have seen:

- The two page loan application form they both signed. That contains a very clear section offering equally prominent options either to take the PPI or to say you do not wish to take it. Mr C has signed in the box to say he would like to take the PPI; and

- The loan agreement which Mr and Mrs C signed. Again that offered boxes to say either yes or no to PPI, and has a cross in the box to say yes, that they wanted the PPI. The no box is empty.

I know that Mr and Mrs C feel strongly that they did not need the policy because of the cover they had from Mr C's work and savings they had. But I don't think those made the PPI unsuitable.

- Although Mr C was entitled to six months full sick pay from work, he hadn't been there long enough to qualify for a large amount of redundancy pay. Mrs C wasn't in paid work. So, if they didn't have savings, I think they could have struggled to pay the loan if Mr C was off sick for more than six months or if he lost his job and couldn't find new work fairly quickly.

- However they did have some savings. But from what they have said most of their savings was in bonus-paying ISA accounts: so if they had withdrawn the money they would not only have lost the tax-free status for the savings but also risked losing bonus payments. The fact that they took the loan, rather than using their savings to pay for the home improvements, suggests that they did not want to withdraw the money from those accounts. So I don't think the existence of those savings (together with Mr C's work benefits) means that the PPI wouldn't have been useful or suitable for them.

- Whereas after an initial 30 day waiting period, the PPI would have covered the loan repayments for up to 12 months of unemployment or 60 months of accident or sickness. That is significantly longer than Mr C's work benefits would have covered. And the PPI would have paid out on top of work benefits.

- PPI quite often is still suitable for people with benefits like Mr C's. The loan was secured on Mr and Mrs C's home, so they risked losing it they didn't keep up with the repayments. So the PPI offered increased security.

From what I know of his circumstances, Mr C was eligible for the policy. And he wasn't affected by any of the restrictions in the policy which might make it particularly difficult for some people (such as those with existing medical conditions) to make a successful claim.

The loan agreement showed clearly what Mr and Mrs C would pay for the PPI each month if they chose to take it. But it is possible that Halifax didn't give them all the other information they needed to make a fully informed choice about that. However, for much the same reasons I didn't think the policy was unsuitable, I don't think better information would have changed Mr and Mrs C's mind about buying it: it would still provide useful protection at a reasonable cost. So I don't think Mr and Mrs C lost out by anything that Halifax may have done wrong when selling the policy. In that situation I don't have grounds to uphold the complaint.

my final decision

My final decision is that I do not uphold this complaint.

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

Hilary Bainbridge
ombudsman