

## **complaint**

Mr A has complained that The Royal Bank of Scotland Plc ("RBS") mis-sold him a payment protection insurance (PPI) policy.

## **background**

Mr A took out a personal loan with RBS in 2006, purchasing a PPI policy alongside the loan to protect his repayments in the event of accident, sickness or unemployment. The cost of the PPI was added to Mr A's main loan and he paid interest on this over the term of that loan.

Our adjudicator recommended that the complaint should be upheld. RBS disagrees so the complaint has been passed to me.

## **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 think the relevant issues to take into account are the same as those set out in the information on our website about our approach to PPI complaints.

I've decided to uphold Mr A's complaint for the reasons given below.

The policy was sold in a meeting in a branch. Mr A says the policy was not discussed. He says that he was only provided with the total monthly cost of the loan, without it being made clear that this included PPI and that he could have turned down the PPI if he wanted to.

During the meeting a 'Loan Customer Duty of Care Checklist' was completed. This contained a declaration with two PPI options for an applicant to choose between:

*"I confirm that I am eligible for cover and I wish to apply for Loanguard cover."*

or

*"I have decided not to take Loanguard cover."*

Mr A has signed in the signature box next to the first statement. However, the second statement has been crossed out and an "X" has been placed in the first signature box. I cannot be sure how this form looked when it was presented to Mr A. But I think there is a significant risk that the second statement had already been deleted as a potential option and encouragement – in the form of the "X" – given to the first option by the time it was shown to Mr A. Given this, I don't think Mr A was put in a position to exercise a proper choice as to whether to take out PPI. And it seems to me the paperwork supports Mr A's testimony – that is the PPI was not discussed and that the loan and PPI were presented as being a non-separable package.

I appreciate Mr A has signed separately on the loan agreement to take out the PPI but, given the issues highlighted above, I think Mr A would likely have felt that signing this section was something he had to do as part of the loan application process. Similarly, I do not consider any of the other documents Mr A received – such as the Certificate of Insurance – would have been enough to persuade him that he had a choice regarding his PPI given the way the PPI appears to have been presented elsewhere in the sales process.

It follows that I uphold Mr A's complaint and direct RBS to pay compensation in line with the approach outlined below.

### **fair compensation**

Mr A borrowed extra to pay for the PPI, so his loan was bigger than it should've been and he paid more than he should've each month. So Mr A needs to get back the extra he's paid.

So, RBS should:

- Work out and pay Mr A the difference between what he paid each month on the loan and what he would've paid each month without PPI.
- Add simple interest to the extra amount Mr A paid each month 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<sup>†</sup>).
- If Mr A made a successful claim under the PPI policy, RBS can take off what they got for the claim from the amount it owes him

<sup>†</sup> HM Revenue & Customs requires RBS to take off tax from this interest. RBS must give Mr A 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 uphold Mr A's complaint. The Royal Bank of Scotland Plc should pay Mr A compensation in line with the approach set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr A to accept or reject my decision before 6 January 2015.

Christian Wood  
**ombudsman**