

complaint

Mr and Mrs G have complained Totemic Limited, trading as Payplan, haven't paid their full months' payments as agreed under their *Cover My Payments* scheme.

background

Mr and Mrs G went into a debt management plan in 2012. From July 2014 their monthly payments increased to £200 a month. Payplan knew Mrs G was being helped making her monthly payment by her brother who was contributing £90 a month. Mrs G signed up to Payplan's *Cover My Payments* scheme. By paying £15 a month she was covering her monthly payments in case she wasn't able to make them.

Mr G fell ill and Mrs G submitted a claim under the insurance scheme. Payplan paid £110 a month. Mrs G didn't feel that was fair and expected her whole payment to be covered. She brought a complaint to the ombudsman service.

As our adjudicator considered this complaint, Payplan told her they didn't feel we could look at the *Cover My Payments* scheme. They said it wasn't insurance but a membership benefit scheme and our service had said before this didn't fall within our rules. Our adjudicator didn't think this was the case. She told Payplan the scheme was ancillary to the regulated consumer credit business they were carrying out.

Payplan asked an ombudsman to review this as they'd like this to be clarified.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I decided to deal with both aspects of this case in a provisional decision. I believed the whole complaint was reasonably straightforward. And this still gave Payplan and Mr and Mrs G an opportunity to make any further comments. I completed a provisional decision on 26 August 2015. Payplan didn't provide us with any further comments. I don't feel there's any reason to change my mind.

can the ombudsman service look at this complaint?

Payplan is right to say our rules don't allow us to look at every type of complaint that is referred to us. Firstly I'm satisfied Payplan is carrying out a regulated activity as defined by the Regulatory Activities Order. I don't believe Payplan will dispute this.

I agree their Cover My Payments scheme may not be a regulated insurance product. However this scheme is sold to debt management plan customers and I believe there is enough evidence to say this is ancillary to a regulated credit activity. I am satisfied I can consider Mr and Mrs G's complaint within our rules.

I know Payplan feels we have decided otherwise where this membership scheme is concerned but I'm happy this is the right approach to take.

should Payplan cover the full £200 monthly payments?

I've reviewed the documents Mrs G and Payplan have given to us. It seems clear to me Payplan charges a monthly charge of 7.5% of the amount somebody wants to protect. There is no doubt Mr and Mrs G paid £15 a month from July 2014 to cover the full £200.

Payplan believes Mr and Mrs G knew Mr G was unwell at the time they increased the monthly payments and cover. I don't believe this is in dispute. And in fact I think Mrs G told Payplan this in late June 2014. However Mr G was still working at this time and it is only when he stopped work, they needed to stop their monthly payments and benefit under the scheme.

The evidence shows Mr G was unable to work from 5 January 2015. And the medical statements I've seen confirm he remains unable to work.

I believe it's fair Payplan ensure Mr and Mrs G's monthly payments of £200 are covered from 5 January 2015. They can take into account those months where they have already covered £110. But I feel they should make sure Mr and Mrs G are refunded those amounts when the protection scheme should have kicked in.

This has come at a very distressing time for Mr and Mrs G. I believe Payplan should give them £200 for the trouble this has caused them.

my final decision

For the reasons I've given, my final decision is to uphold Mr and Mrs G's complaint. I instruct Totemic Limited, trading as Payplan, to:

- Make sure they've covered Mr and Mrs G's £200 monthly payments to their creditors from 5 January 2015;
- Refund money Mr and Mrs G paid to Payplan after this period; and
- Pay them £200 for the trouble caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs G to accept or reject my decision before 2 November 2015.

Sandra Quinn
ombudsman