DRN-1384856

The complaint

Mrs B says Lloyds Bank PLC, trading as “TSB” mis-sold her and her late husband, Mr B, a regular monthly premium payment protection insurance (PPI) policy when they took out a mortgage in November 1995. She says the bank didn’t explain anything about the policy to them; it was added to the account without either her knowledge or her consent.

What happened

In November 1995, Mrs B and Mr B purchased a PPI policy when they took out a mortgage. The policy covered Mrs B only, in the event she wasn’t working due to an accident, sickness or unemployment. The PPI cost £11.67 each month and would’ve provided a monthly benefit to cover their mortgage payments for up to 12 months following a successful claim.

Our adjudicator didn’t uphold this complaint. Mrs B disagrees, so the complaint comes to me to decide.

What I’ve decided – and why

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 PPI on our website and I’ve taken this into account when deciding this complaint. And having done so, I’ve decided not to uphold this complaint and I’ll explain why.

The mortgage and the PPI were taken out almost 25 years ago and the policy was cancelled more than 20 years ago when the mortgage was redeemed in June 1999. So unsurprisingly neither party has been able to provide much detailed information about the sale. And in these situations, I have to look at what I think is *more likely* to have happened.

I don’t doubt that Mrs B has given her honest recollections from that meeting in November 1995, but I have to accept that after all this time memories can and do fade. And I just don’t have any evidence whatsoever to suggest that the policy wasn’t optional – that Mrs B and Mr B didn’t have a choice in taking it out. And I’ve seen a copy of the mortgage offer paperwork from this time and it clearly shows the cost of the policy and the fact that it was being taken out to cover Mrs B only. So, with the very limited information I do have and from what I know about Lloyds PPI sales around this time, I can’t fairly say that they didn’t have a choice about taking it. And I don’t think it was added to their account without their knowledge or consent.

Lloyds would’ve recommended the PPI, I say this because this is how it conducted its PPI sales through TSB brand at this time. So, it had to take adequate steps to make sure it was suitable for Mrs B and Mr B. I don’t know what the adviser said to them about PPI or whether Lloyds did take adequate steps. But I don’t need to make a decision about this, because even if the bank didn’t take adequate steps, I think the PPI was suitable for them for the following reasons:

- Mrs B met the PPI's eligibility requirements, so was eligible for the policy. And I've set out the PPI's costs and main benefits above.

- Mrs B was working at the time and says she had some occupational benefits from her employer if she were off work sick. But if Mrs B couldn't work, nothing I've seen suggests it's likely they could've paid the monthly mortgage *and* their other living costs once any work benefits she may have had expired.

- Also, the mortgage was over a number of years and the PPI would've paid the monthly mortgage costs for up to 12 months for *each* successful claim – and on top of any other cover that Mrs B had. So, I don't think Mr B's existing cover would've made the PPI unsuitable. And the policy would've allowed them to use any savings they may have had for other important things at what would've been a particularly stressful time.

- There wasn't anything in the PPI that would've made it difficult for Mrs B to claim. She told us she was employed and in good health – so she wouldn't have been affected by any restrictions or limitations in the policy relating to unusual work or known health issues.

- I don't know that the cost of the policy was clearly communicated to Mrs B and Mr B *before* they agreed to purchase it. For this reason, I've considered whether clearer information about the cost would've affected the decision to purchase the policy. But they did choose to take out the policy, knowing they would have to pay *something* for it. The policy was competitively priced and apparently affordable. So, I think it unlikely they would've made a different decision if better information about the cost had been provided.

So, taking everything into account, I think the PPI was suitable for Mrs B and Mr B.

Lloyds needed to properly explain the PPI's costs, benefits, exclusions and limitations. It hasn't told us anything that shows what was actually said about this when it met with Mrs B and Mr B in November 1995. So, I can't say it's likely Lloyds did give them everything they needed to know before deciding to take PPI.

But did Mrs B and Mr B lose out as a result - would they have taken the PPI if Lloyds had properly told them about it?

I've explained why I think the PPI was suitable. Given their circumstances at the time I think they would've thought the PPI gave important cover to protect the repayments on their home. And that its costs and benefits were competitive and gave peace of mind. So, I don't think they lost out – I think they would've taken the PPI if they'd been given enough proper information about it. And as this was a regular monthly premium policy, if they decided that the cost was unaffordable, or that they no longer wanted the policy, they could've cancelled it without penalty.

Taking everything into account, I don't think this PPI policy was mis-sold.

My final decision

For the reasons I’ve explained above I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs B and the estate of Mr B to accept or reject my decision before 4 May 2020.

Andrew Macnamara
Ombudsman