

The complaint

Mr and Mrs W complain that Lloyds Bank PLC (when it was trading as TSB) mis-sold them a payment protection insurance (PPI) policy.

What happened

Mr and Mrs W took out PPI alongside their joint mortgage which started in August 1996. This protected their mortgage repayments in the event that they couldn't work as a result of accident, sickness or unemployment.

Mr and Mrs W said that during a meeting at the bank to arrange a remortgage on their property PPI was also discussed.

They said that they had explained during the meeting that they were both in full time employment and would receive 6 months full pay and 6 months half pay if they were off work sick.

They recall being told that they would still be able to claim on the policy and that if they did, Mr W, who was the higher earner, would get 60% of the cover and Mrs W would receive 40%.

Mr and Mrs W told us that it was put to them that it was a very good idea to have the policy and it was implied that it would help their application.

Mr and Mrs W told us that neither of them recollect agreeing to take out the policy and for many years they were unaware they had it.

Our adjudicator didn't uphold the complaint. Mr and Mrs W disagreed with the adjudicator's opinion.

In summary, in relation to their complaint about mis-sold PPI, Mr and Mrs W mainly said that:

- they've both had long term secure employment
- they don't think the benefit split was properly explained
- PPI wasn't something they would've needed as they always had money left over at the end of the month
- their sick pay was very good
- they had a lot of equity in their home so they could've downsized if necessary.

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 the sale of PPI on our website and I've taken this into account in deciding this case.

I've decided not to uphold Mr and Mrs W's complaint. I'll explain why.

Neither Lloyds nor Mr and Mrs W could provide any signed paperwork from when the PPI was sold. But this isn't surprising given how long ago this sale happened. Mr and Mrs W recall arranging their borrowing and the PPI in a meeting and so I think that's probably what happened.

I can't know exactly what was said about PPI when Mr and Mrs W arranged their remortgage and took out this policy. After so long, it wouldn't be reasonable to expect them to recall word for word what was said at the time.

This means that what Mr and Mrs W say now isn't enough on its own for me to be able to uphold this complaint. I must look at all the available information and decide what I think is most likely.

In order to uphold this complaint I'd have to find that it's likely that Mr and Mrs W weren't given a fair choice about PPI or that it was added to their account without their consent.

Based on the information I've seen, I can't fairly say that the policy wasn't presented as optional or that Mr and Mrs W would've been unaware PPI was being taken out with their remortgage. Here's why I say this.

Mr and Mrs W's mortgage was a major financial commitment, repayable over a number of years. Their home would've been at risk if their mortgage payments weren't kept up to date. PPI provided dependable protection. It looks to me as if PPI could've been helpful to Mr and Mrs W as it offered them benefits over and above any arrangements they had in place already to help them make their mortgage repayments if one or both of them couldn't work. So, I can see why they might've felt this policy was useful to have.

On balance, I think it's more likely that Mr and Mrs W wanted to have the benefits that PPI offered them and that Lloyds added the policy to their mortgage account when Mr and Mrs W decided to buy it.

Lloyds wasn't sure how it sold the PPI to Mr and Mrs W. So, in fairness to them, it looked at their mis-sale complaint on the basis that its advisor had recommended PPI during the meeting Mr and Mrs W recalled having at the bank.

Given the lack of paperwork showing how Lloyds sold the PPI to Mr and Mrs W, I think this is the fairest way to assess this complaint as it imposes extra obligations on the lender. If a business makes a recommendation about PPI, it doesn't just have to give important policy information in a clear way. It also has to take reasonable steps to make sure the cover it recommends is suitable.

Lloyds told us that it doesn't any longer have a policy document from 1996 when Mr and Mrs W took out the PPI. But it has provided a policy document which was in use afterwards. So I think it's reasonable to rely on this information and I think it's likely that the policy Mr and Mrs W took out would've had substantially the same terms and conditions.

Lloyds wasn't able to confirm how the policy benefit was split between Mr and Mrs W but they clearly recall there was a 60:40 split, with the main benefit being in Mr W's name. So I've taken this carefully into account when thinking about their complaint.

Mr and Mrs W were both in work and contributing to the monthly mortgage repayments. So, I think it was appropriate for the policy to be taken out in both their names. And, as Mr W was the main earner, it makes sense that the benefit was split between them in the way it was.

I appreciate that the way the policy benefit was shared between them is one of Mr and Mrs W's particular complaints.

Our adjudicator has explained already that even if the benefit split wasn't correct, this would've only made a difference if Mr and Mrs W had lost out in money terms as a result of the benefit not being properly shared between them.

That never happened as they made no claim on the policy. So I can't say they're worse off in money terms as a result of the way the benefit was shared between them and this isn't a reason for me to uphold their complaint.

Mr and Mrs W have made the point that the only way the policy would've paid out the full monthly benefit amount was if they both claimed successfully at the same time. But that's not a reason to uphold their complaint.

The purpose of this insurance was to replace lost income – and if only one person needed to claim then the policy paid out the proportion of benefit chosen to protect that person's mortgage contribution.

If the other person was still able to work then it wouldn't have been necessary for the policy to cover that person's share of the mortgage monthly repayments.

And, as Mr and Mrs W say, in the unfortunate event of them both being off work together as a result of disability or sickness or unemployment, then the policy would've paid 100% of the monthly benefit.

Taking into account Mr and Mrs W's employment circumstances and their financial circumstances, it looks to me as if PPI would've been a suitable recommendation based on what Mr and Mrs W have said about their situation at the time.

I've seen nothing to make me think that they weren't both eligible for the PPI policy.

The policy paid out a monthly benefit that covered Mr and Mrs W's mortgage repayments for up to 12 months per claim.

Mr and Mrs W were both entitled to 6 months' full sick pay followed by 6 months on half pay. But I think PPI still could've been useful. It would've paid out *in full* for up to 12 months per claim in the event of accident and sickness. So the PPI provided better protection than they could've relied on getting through their employers. And it would've paid out on top of sick pay providing Mr and Mrs W with a useful benefit at a difficult time – especially if they had some extra costs as a result of being sick or disabled.

PPI would've also paid out for up to 12 months for any one claim if either (or both) Mr and Mrs W became unexpectedly unemployed.

I've considered what Mr and Mrs W have said about selling their property if required. But I don't think this would make a recommendation to take PPI unsuitable. Selling a property can be a lengthy process and it would be unlikely this would help them meet their mortgage repayments each month if they were unable to work. Having PPI meant they weren't at risk of being forced to sell – perhaps at a time when property prices might've meant they mightn't

get as much as they hoped for. I think that having cover in place so Mr and Mrs W could've continued to make their monthly mortgage repayments without having to sell their home provided them with a worthwhile benefit.

There can be no guarantee that any job will always be secure. And PPI would've paid out in addition to any redundancy money they might've got, giving Mr and Mrs W some additional financial security in those circumstances.

And whilst Mr and Mrs W mentioned having money left over at the end of each month, given that the mortgage was taken out when they were both in full time employment, I think it's likely that losing one of their incomes would've had a significant impact on their joint finances. I haven't seen anything to make me think that Mr and Mrs W would've been able to keep on paying their mortgage for long if one of them wasn't earning and contributing towards their share of the mortgage monthly repayments.

So, overall, I find that the PPI Lloyds sold Mr and Mrs W with their mortgage was suitable.

It's possible some information Lloyds gave Mr and Mrs W about the PPI wasn't as clear as it should've been. So I've thought about whether this would make any overall difference to the outcome of their complaint.

There were some things the policy didn't cover. But it doesn't look as if those applied in Mr and Mrs W's case. So, I don't think having more information about things the policy didn't cover would've affected their decision to take it out.

Mr and Mrs W paid for this policy each month. I haven't seen anything to suggest that paying for the policy was a problem for them. And they could've cancelled it at any time without incurring any extra cost if they no longer wanted to pay to keep the policy Lloyds sold them.

On balance, I don't find that the PPI was mis-sold. So Lloyds doesn't have to repay everything Mr and Mrs W paid for it.

But Lloyds has paid back *some* of the cost of the PPI to Mr and Mrs W because:

- Lloyds got a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mr and Mrs W about that. Because Lloyds didn't tell Mr and Mrs W, that was unfair.
- To put that right, Lloyds has paid back the amount of commission and profit share that was above 50% of the PPI premium - and I think that is fair in this case.

In coming to my decision I've thought carefully about everything that Mr and Mrs W have said, including the comments made in response to our adjudicator's view.

Although Mr and Mrs W mentioned some other things during the course of this complaint I can see that our adjudicator has already responded on those issues. There's nothing more I can usefully add to what our adjudicator has already said.

So in my decision I've concentrated on dealing with the main points raised that affect the outcome of their complaint about the way they were sold this PPI. I appreciate that what I've

said will come as a disappointment. But I hope that setting out the reasons as I've done will help explain how I've reached my decision.

Mr and Mrs W told us that they didn't make a claim on the insurance when they each had periods of long term sickness and were unable to work. This information doesn't affect my decision. But they may wish to approach the insurer to see if it would be prepared to accept and consider a retrospective claim. If they do so and find that they have concerns in this regard, then they should first tell the insurer why they're unhappy. And if they are unable to reach a satisfactory conclusion, Mr and Mrs W may be able to bring a complaint relating to the retrospective claim to this Service as a separate matter.

My final decision

The PPI policy wasn't mis-sold – so Lloyds Bank PLC does not have to pay to Mr and Mrs W all of the cost of the PPI that Mr and Mrs W paid.

But Lloyds Bank PLC does have to pay to Mr and Mrs W any commission and profit share it got that was more than 50% of the PPI premium Mr and Mrs W paid. I understand it has already done this, so I don't award any further compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 11 November 2020.

Susan Webb
Ombudsman