

The complaint

Mr C says Lloyds Bank PLC mis-sold him a payment protection insurance (PPI) policy.

What happened

Mr C took out a mortgage with Lloyds (trading at the time as TSB) in 1991. Around the same time, he took out a PPI policy to protect his monthly mortgage payments.

Mr C has provided evidence that the policy initially cost £16 per month. If he'd made a successful claim for accident, sickness or unemployment, it would have paid a monthly benefit of £400. It's likely that it would have done this for up to 12 months per successful claim.

Our adjudicator didn't recommend that the complaint should be upheld. Mr C disagreed with the adjudicator's view, so the complaint's been passed to me.

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 Mr C's case.

Where the evidence is incomplete or inconclusive, I need to decide what I think's most likely to have happened, based on the information I have.

I've decided not to uphold Mr C's complaint. I'll explain why.

- Due to the time that's passed, Lloyds no longer has copies of any of the paperwork that Mr C signed when he took out the mortgage and PPI. I don't think that's surprising or unreasonable, given that this was nearly 30 years ago.
- Lloyds needed to make it clear to Mr C that the PPI was optional. Mr C's told us that he's always been cautious when it comes to financial matters. So he suspects he would have been quite easily persuaded to take out the PPI. He's also said that a degree of naivety on his part may have led him to believe that phrases such as "you need this" or "everyone has this policy" were good advice.
- I've thought about what Mr C's told us. But while Lloyds' adviser may have recommended the PPI to him as a good idea, I've seen nothing to make me think he was led to believe he had no option but to take out the cover. What's more, the monthly benefit of £400 was significantly more than Mr C's told us his monthly mortgage payments were at the time. I think the most likely reason for this was that there was a discussion about how much monthly benefit Mr C wished the policy to provide, and he chose a relatively high level of benefit to enable him to meet expenses in addition to the mortgage if he were unable to work due to accident, sickness or unemployment.

- On balance, I think it's most likely that Mr C decided to take the PPI, knowing that he had a choice – although I can understand how he may no longer remember this so many years after the event.
- Lloyds no longer has any record of how the policy was sold and – not surprisingly, given the time that's passed - Mr C can't remember either. I've assumed for the purposes of this decision that the sale took place in one of the bank's branches, and that Lloyds recommended the PPI to Mr C. This is to Mr C's advantage, as it means Lloyds had a responsibility to check that the policy was suitable for him. Based on what I've seen of his circumstances at the time, I think the policy was suitable for Mr C.
- I acknowledge that Mr C's told us he'd have been entitled to six months' full pay, followed by six months' half pay from his employer at the time if he'd been off sick. But based on our knowledge of PPI policies around the time, I think it's likely that the policy would have paid out for up to 12 months per successful claim for accident, sickness or unemployment. That's longer than Mr C would have been entitled to full sick pay for. What's more, it would have paid out *in addition to* any payments Mr C received from his employer, so he could have used those to meet other expenses.
- Mr C's told us that he worked in a secure type of employment, and that his employer had a "no compulsory redundancies" policy. But I think it's unlikely that Mr C could have guaranteed that he wouldn't be made redundant, or that the policy would continue indefinitely. He's also mentioned that he could have relied on his parents for financial support if need be. But circumstances can change, and I can't be sure Mr C's parents would have been in a position to help him if the need had arisen.
- Mr C's also mentioned that he had savings worth a few months of his salary. And he says he could easily have sold his house if necessary. But I've borne in mind that he'd chosen to protect his savings, rather than taking out a smaller mortgage. Having the PPI would have allowed him to continue to keep hold of his savings, or to use them to pay for other things if he'd been off sick for an extended period, or if he'd lost his job. And he wouldn't have had to go to the effort and expense of selling his house.
- The mortgage was a significant, long-term financial commitment, secured on Mr C's property, and the consequences of falling behind with his monthly payments could have been serious. So taking everything into account, I think the PPI could have been useful to Mr C.
- The monthly premium for the PPI was set out in the letter Lloyds sent to Mr C enclosing the certificate of insurance. So I think Mr C would have known how much he'd have to pay for the cover. And since he was paying for it monthly, he could have cancelled it at any time without further cost if his circumstances changed, or if he decided he no longer wanted the cover.
- It's possible Lloyds didn't point out the main things the policy didn't cover (for example, unusual working arrangements or existing medical conditions). But from what he's told us about his circumstances at the time, it's unlikely that Mr C would have been affected by any of these. So I don't think that better information would have put him off taking the policy out.

As well as complaining that the PPI was mis-sold, Mr C expressed dissatisfaction with the way Lloyds handled his complaint. Lloyds has offered to pay Mr C £100 to reflect this and Mr C has indicated that he's willing to accept that offer. Lloyds should make arrangements to pay Mr C that amount if it hasn't already done so.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 January 2021.

Juliet Collins
Ombudsman