DRN-2195167

The complaint

Miss F complains that Lloyds Bank PLC (when it was trading as TSB) mis-sold her a mortgage payment protection insurance ("PPI") policy.

Lloyds Bank is responsible for dealing with this complaint. So from now on I'll just refer to 'Lloyds' as the business that sold the PPI to keep things simpler.

What happened

In 1997 Miss F took out PPI alongside a mortgage. The policy protected her monthly mortgage repayments if she couldn't work.

Our adjudicator looked at this complaint and didn't think it should be upheld. Miss F disagreed and she'd like an ombudsman to review what's happened.

As far as I can see, Miss F's main complaint is that Lloyds didn't ask her any of the questions about her financial situation that she was later asked by an independent financial advisor who told her she didn't need PPI. Miss F says that if Lloyds' sales advisor had asked her the same questions that her financial advisor did she wouldn't have taken out the PPI in the first place. And she's unhappy that Lloyds won't give her a direct answer to her question about whether the sales advisor asked her relevant questions at the time of sale.

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 Miss F's complaint. I'll explain why I say this.

Miss F remembers arranging her mortgage during a meeting at the bank although she has no memory of the PPI. It's not surprising that Miss F doesn't clearly recall all the details as this happened so long ago.

I can completely understand that Miss F would like to know exactly what questions the Lloyds' advisor put to her about her financial situation when PPI was arranged. But as there's no recording of that meeting or any written notes as far as I can see, I think it's unlikely that anyone at Lloyds is able to say with any certainty now exactly what was discussed at a meeting that took place so long ago.

And I wouldn't reasonably expect Lloyds to have kept full records relating to a mortgage that closed around 19 years ago. A financial business isn't required to keep paperwork indefinitely. When personal private information is no longer likely to be needed, it can be destroyed. Data protection laws set out rules about this. Destroying old paperwork helps to keep customers' private details secure.

So I have to look at all the available information and decide what I think is most likely.

One of the important things I have to decide is whether Lloyds presented the PPI to Miss F in such a way that she understood having PPI was optional. And I need to be satisfied that it was most likely added to her mortgage at her request.

The copy of the signed paperwork Lloyds provided from when Miss F took out her mortgage isn't very clear.

But I can see that in the section headed: 'Applying for TSB MortgageSure' (this is what Lloyds called its PPI at the time) there were two tick boxes – and there's a tick in one of the boxes.

The next part of the form is headed: 'Checking you are eligible for TSB MortgageSure' and I can see that boxes are ticked in answer to the questions being asked.

So it looks to me like Miss F ticked to say she wanted to have PPI and answered the questions to check eligibility.

I can't know exactly what was discussed when Miss F arranged her mortgage.

But I think Miss F would've known that it was up to her to say if she wanted PPI because this was information she was asked to provide on the mortgage application.

As this happened so long ago, it's easy to understand how Miss F could've forgotten some of these details now. So although I can't be sure what was discussed between her and Lloyds when she took out the PPI, I can't uphold her mis-sale complaint on the basis that Lloyds failed to make her aware having PPI was optional. And I think PPI was most likely added to her account at her request.

Lloyds said it recommended PPI to Miss F.

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. And if this didn't happen, I have to think about whether this would've made any overall difference to Miss F .

Lloyds told us that it doesn't any longer have a policy document from the date Miss F took out PPI. But it has provided a policy document which was in use afterwards – so I think it's likely that in all main respects the policy that she took out would've had similar terms and conditions.

Miss F was eligible for the policy given her circumstances and the likely PPI terms and conditions that applied.

I've taken into account what Miss F told us about her financial situation.

PPI would've covered her mortgage repayments for up to 12 months per claim if Miss F was off work sick or disabled. Also the policy would've paid out if she became unexpectedly unemployed.

Looking at the information I've got, I don't think it's likely that Miss F could've easily managed the mortgage repayments for long if she wasn't working. She could've only depended on her employer to pay her full sick pay for 6 months.

I've taken into account that there was a possibility of discretionary sick pay being paid over and above this. But I'm looking at Miss F's contractual entitlement – because that's all she could safely rely on when she took out the PPI. Relying on an employer to pay sick pay when it doesn't have to isn't as dependable as taking out PPI which guarantees a monthly benefit in the event of a successful claim. And the policy paid out for twice as long as she could've relied on her employer to pay her if she was off work sick.

Being entitled to redundancy benefits wouldn't have helped Miss F if she was off work sick. And PPI would've paid out in addition to any redundancy money she might've got if she'd lost her job, giving her some additional financial security in those circumstances.

Rental income wasn't something Miss F could've always been sure she'd be able to depend on getting. It's possible she mightn't have always wanted to continue having a lodger – and she can't have been sure she'd always be able to find a suitable replacement lodger if she'd needed to in time to avoid any break in rental income.

Miss F's mortgage was a major financial commitment, due to run for a number of years. Her home would've been at risk if the mortgage payments weren't kept up to date. PPI provided a dependable means of ensuring the monthly repayments were protected even if Miss F couldn't work. So, I can see why they might've felt PPI was useful.

So, it looks to me like PPI provided a useful benefit in what would've likely been difficult circumstances for Miss F if she'd needed to make a claim. And whilst I appreciate it's frustrating for Miss F not knowing exactly what questions Lloyds asked Miss F it makes no difference to the outcome of this complaint because I think PPI looks as if it was suitable for her at the time.

It seems likely to me that her circumstances could've been different in 2004 when she reviewed her overall financial situation with an independent financial adviser. I haven't seen enough to be able to say that the PPI she took out with her mortgage hadn't been right for her six years or so earlier when she arranged her mortgage.

There were some policy exclusions and limitations – but it doesn't look like that affected Miss F. So I don't think it likely that better information about what *wasn't* covered would've put Miss F off taking it out because I think Miss F could've benefitted from all the main policy benefits she might reasonably have expected.

It's possible some of the information Lloyds gave Miss F about the PPI wasn't as clear as it should've been. I don't know if the policy cost was clearly explained when she took the policy out. But I can see the amount she would have to pay each month to keep the policy running was set out on her mortgage offer. So she knew in advance (at least approximately) what she'd be paying for the policy and it looks like Miss F was happy to pay this at the time.

And if or when her circumstances changed, or she no longer wanted to pay for PPI, she could've cancelled the policy at any time at no extra cost – as she later did.

Taking into account everything I've seen and been told, it appears that Miss F chose to take out the policy when she could've said she didn't want to. And so it looks like she did want to have this type of cover. I've seen nothing that suggests this policy was unaffordable for Miss F when she signed up to it. So that's not a reason for me to uphold the complaint.

Looked at overall, even if there were failings in the way Lloyds sold PPI to Miss F, I don't think that better information would've put her off having it. So I can't fairly say that Miss F lost out financially as a result of anything that Lloyds did wrong. And this means there's nothing it needs to do to put things right.

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

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 9 December 2020.

Susan Webb
Ombudsman