

The complaint

Mrs D and Mr G complains that Lloyds Bank PLC (“Lloyds”) mis-sold them a mortgage payment protection insurance (“MPPI”) policy.

What happened

Mrs D and Mr G were sold an MPPI policy in August 1995 that covered Mr G against accidents, sickness and unemployment. They took the insurance out alongside a mortgage in a meeting.

Our adjudicator didn’t uphold the complaint. Mrs D and Mr G disagreed, and their complaint was then passed to me to make a decision.

I issued a provisional decision on 13 November 2020 upholding Mrs D and Mr G’s complaint. Within the decision I made the following findings:

- I concluded the policy was more likely mis-sold by Lloyds because it made a recommendation that wasn’t suitable for Mr G, as the sole policy holder.
- Mr G had told our service that he had received a year’s worth of sick pay and substantial savings. Our service asked for more details about this and he provided a screenshot of his employer’s terms and conditions. This supported his recollections.
- I concluded that what Mr G had stated about his savings and sick pay was credible and plausible. I thought the policy wouldn’t have seemed worthwhile to him. I was minded to conclude that the cost of the premium and the benefits held within the policy wouldn’t have seemed worthwhile.
- Because of this I upheld Mrs D and Mr G’s complaint and then asked both parties for comments by 13 December 2020.

Both parties have confirmed they received my provisional decision.

Mrs D and Mr G responded through their representatives on 13 November 2020 and have nothing further to add.

Lloyds responded on 18 November 2020 and have nothing to add. It says it agrees with my decision.

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 Mrs D and Mr G’s case.

As both parties do not have any further points to raise and Lloyds agree with my decision, I do not need to depart from my findings given within my provisional decision.

In conclusion, for the reasons given above and in my provisional decision, I uphold Mrs D and Mr G's complaint.

Putting things right

Lloyds should put Mrs D and Mr G in the financial position they would be in now if they hadn't taken out PPI. It needs to pay Mrs D and Mr G:

- The total monthly premiums they paid for the policy, and
- Interest at 8% per annum simple on each of the premiums from the date each was paid to the date of settlement.[†]
- If Mrs D and Mr G made a successful claim under the PPI policy, Lloyds can take off what they got for the claim from the amount it owes them.
- Lloyds should tell Mrs D and Mr G how it's worked this out.
- Lloyds must pay the compensation within 28 days of the date on which we tell it Mrs D and Mr G accept my final decision. If it pays later than this, it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

[†] If Lloyds considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mrs D and Mr G how much it's taken off. It should also give Mrs D and Mr G a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold this complaint and direct Lloyds Bank PLC to pay Mrs D and Mr G fair compensation in accordance with the above calculation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr G to accept or reject my decision before 28 January 2021.

Mark Richardson
Ombudsman