

The complaint

Mr and Mrs H complained that they were mis-sold a mortgage payment protection insurance (PPI) policy by Cheltenham & Gloucester plc. Lloyds Bank plc ("Lloyds") is responsible for complaints about Cheltenham & Gloucester plc so for simplicity I'll only refer to Lloyds from now on.

What happened

Mr and Mrs H took out the PPI when they applied for a mortgage in May 1999. They said the mortgage was taken out by post and over the phone, but PPI wasn't mentioned – so they said the PPI had been added without their knowledge and consent, and the premiums hidden in their mortgage payments. Lloyds said the mortgage and PPI were taken out during a meeting in a branch, and that it had advised Mr and Mrs H to take the PPI.

The policy provided accident, sickness and unemployment cover for Mr and Mrs H at a monthly cost of £29.75. The monthly benefit was the mortgage payment - £522.11 - plus £3 for every £1,000 of their initial mortgage, subject to a maximum of £1,300. The benefit was split between Mr and Mrs H broadly in proportion to their incomes. If Mr and Mrs H had made a successful claim, the policy could've paid out for up to 12 months per claim.

Our adjudicator didn't think the complaint should be upheld. Mr and Mrs H disagreed for a number of reasons, and asked that the complaint be referred to an ombudsman for review. I have addressed the points they raised below.

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 and Mrs H's case.

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

Lloyds sent in copies of Mr and Mrs H's mortgage application form, PPI application, mortgage offer and interview note, along with its computer records of Mr and Mrs H's mortgage account. It also sent in a copy of the PPI schedule of cover and a covering letter addressed to Mr and Mrs H and dated July 1999. Lloyds said it did not have the terms and conditions from 1999 but referred us to a later policy document from 2000.

From what's in these documents I'm satisfied that there was a mortgage interview in a branch - I have a copy of an interview note dated 7 May 1999 and I have no reason to think this information is not correct. The mortgage offer would've been sent by post after they had made their application, and it's quite likely that there were some phone calls as part of the process, so it may just be that they don't remember the meeting as all this happened so long ago.

The mortgage application form has 'yes' and 'no' tick boxes, in a section marked 'payment protection insurance', for applicants to say whether they want PPI – in this case there's a tick in the 'yes' box. I also have a copy of Mr and Mrs H's PPI application form – this is a separate form from the mortgage application. It shows their names, occupations and address and signatures, and it states that Mr and Mrs H wanted the cover split between them so that 75% applied to Mr H and 25% applied to Mrs H, which reflected their respective incomes. There's nothing on this form to say that PPI was compulsory.

Additionally there is a direct debit mandate, also signed by Mr and Mrs H, which relates to the PPI – this shows that payments were to be made to Lloyds TSB General Insurance Ltd, rather than being collected as part of the mortgage payment.

Lloyds told us that the PPI policy was cancelled at some point before Mr and Mrs H repaid their mortgage in 2004, although it couldn't tell us the exact date. However, it sent in a record of a phone call from Mr and Mrs H in July 2000, where it was noted that a payment protection refund was required. It may be that this was the point at which the PPI was cancelled. However this doesn't affect my decision.

I also have a list of the transactions on Mr and Mrs H's mortgage account from 2002 onwards, and I can see no sign of PPI premiums – I'd expect to see separate entries for these. So even if the PPI was still in force in 2002, I'm satisfied premiums were not being collected as part of the mortgage payments.

From all of the evidence set out above, I'm satisfied that Mr and Mrs H were aware of the PPI, were given a choice about taking it and decided to do so. The evidence also indicates that premiums were collected by a separate direct debit rather than being included with the mortgage payments. I think it's likely that Mr and Mrs H simply don't recall all the details of what happened – which is unsurprising given that the sale of the PPI took place nearly 22 years ago.

Lloyds said it advised Mr and Mrs H to take out the PPI, and I've no reason to doubt that. So had to make sure the policy was suitable for Mr and Mrs H. I think it was.

As the sale took place during a meeting, I can't know how the adviser explained the PPI - especially the things not covered. But I can't see that either Mr or Mrs H would've been affected by any of these.

Mr and Mrs H told us that Mr H would've been entitled to sick pay from his employer of 75% of his pay for six months, followed by 25% of his pay for three months. They also said that Mrs H would've been entitled to sick pay of six months' full pay followed by six months' half pay. And they said they had some savings they could've relied on.

From all this I think Mr and Mrs H could've found it difficult to meet the mortgage payments if either had been off sick for any length of time or had lost their job. And I think Mr and Mrs H could reasonably have wanted to protect an important commitment that was secured on their home. I've also kept in mind that the policy could've paid out for up to 12 months in the event of a successful claim.

It's not clear how the cost of the PPI was explained to Mr and Mrs H, although I don't think they'd have agreed to take it without some idea of the cost. And I can see that the cost was then set out in the policy schedule that Lloyds sent out just after completion of the mortgage – so I think they could have queried it then if it was different to what they were expecting.

On balance, although I can't know whether Lloyds clearly explained all of the policy details, I think Mr and Mrs H would still have bought the policy if it had. It could've provided useful

protection if Mr and Mrs H couldn't work. I'm sorry to disappoint Mr and Mrs H, as I can see they feel strongly about this, but my conclusion is that on the evidence I have, I can't fairly say the PPI was mis-sold.

My final decision

For the reasons I've explained, I've decided not to uphold Mr and Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 26 February 2021.

Jan Ferrari
Ombudsman