

The complaint

Ms L says Lloyds Bank PLC mis-sold her a payment protection insurance (PPI) policy.

What happened

Ms L opened a credit card account with Lloyds (trading at the time as TSB) in 1998. At the same time she took out a PPI policy to protect her monthly credit card repayments against accident, sickness and unemployment. Ms L applied for the credit card and PPI at a face-to-face meeting in a branch of the bank.

Our adjudicator didn't recommend that the complaint should be upheld. Ms L 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 mis-sale of PPI on our website, and I've taken this into account in deciding Ms L's case.

I've decided the PPI wasn't mis-sold. I'll explain why.

- I've seen a copy of Ms L's signed application for the credit card. It includes a section on PPI, with a box to tick if the applicant wished to take the cover. Ms L ticked the box to indicate that she wanted to take PPI. I'm satisfied that it was clear from the way PPI was shown on the application form that it was optional. And I think Ms L decided to take it, knowing that she had a choice – although I can understand how she may no longer remember this more than 20 years later.
- Ms L says Lloyds didn't recommend the PPI to her, or give her any advice about it. Lloyds says that a recommendation would have been made. For the purposes of this decision, I've assumed that Lloyds did recommend the PPI to Ms L. This is to her advantage when it comes to my consideration of her complaint, as it means Lloyds had a responsibility to check that the PPI was suitable for her. But it doesn't look as if it was unsuitable, based on what I've seen of Ms L's circumstances at the time.
- I acknowledge that Ms L has told us she'd have been entitled to six months' full pay, followed by six months' half pay from her employer at the time if she'd been off sick. She's also told us she'd have been entitled to some redundancy pay, although she's not sure how much. But if she'd made a successful claim on the policy for accident or sickness, it would have paid out for up to 12 months. That's longer than Ms L's told us she'd have been entitled to full sick pay for. And it would have paid the same level of benefit if she'd made a successful unemployment claim. What's more, the policy would have paid out *in addition to* any payments Ms L received from her employer. So she could have used those to meet other day-to-day expenses. And she wouldn't have had to use her limited savings to make her monthly credit card repayments.

- Ms L's also mentioned that she had life insurance. But that's a different type of cover, and wouldn't have paid out in the same circumstances as PPI. And although she's told us she could have sold her car, there's no guarantee that she could have done this quickly or easily. And having the PPI would have meant she didn't have to sell her car to make her credit card repayments. So taking everything into account, I think Ms L could have found the PPI useful.
- It's possible the information Lloyds gave Ms L about the PPI wasn't as clear as it should have been. But I'm satisfied that Ms L chose to take out the policy. So it looks as if she wanted this type of cover, even if she's understandably forgotten this now, so many years later. And from what I've seen of her circumstances at the time, she wasn't affected by any of the main things the policy didn't cover- for example, unusual working arrangements, or existing medical conditions.
- The policy was competitively priced, and I've seen nothing to suggest that Ms L couldn't afford it. And as she was paying for it monthly, she could have cancelled it at any time if her circumstances changed, or if she decided she no longer wanted the cover.
- So taking everything into account, I think it's unlikely Ms L would have made a different decision if better information had been provided. On balance, I think she'd still have taken out the PPI.

This means Lloyds doesn't have to pay back all of the cost of the PPI to Ms L. But Lloyds has paid back some of the cost of the PPI to Ms L because:

- Lloyds got a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Ms L about that. Because Lloyds didn't tell Ms L, 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's fair in this case.

My final decision

The PPI policy wasn't mis-sold – so Lloyds Bank PLC doesn't have to pay back all of the cost of the PPI to Ms L.

But Lloyds Bank PLC does have to pay back to Ms L any commission and profit share it got that was more than 50% of the PPI premium. 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 Ms L to accept or reject my decision before 29 March 2021.

Juliet Collins

Ombudsman