DRN-2698256

The complaint

Miss M complains Lloyds Bank PLC (trading at the time as TSB Bank plc) mis-sold her a payment protection insurance (PPI) policy.

What happened

Miss M took out a mortgage with Lloyds in 1994 and bought a PPI policy at around the same time.

Miss M says the PPI was a condition of the mortgage. She says she didn't need it.

In my provisional decision of 11 February 2021, I explained why I didn't intend to uphold Miss M's complaint. Neither Miss M nor Lloyds has responded to my provisional decision, which has now come to me for a final 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 here.

Having done so, and for the reasons I gave in my provisional decision, I've decided not to uphold Miss M's complaint.

In my provisional decision, I said:

"*In her view on Miss M's complaint, our adjudicator said that, given the length of time since the sale, there was very limited information available for her to safely conclude the policy wasn't presented to Miss M as optional.*

Miss M has sent us some paperwork from the time. One of these is a copy of a "repayment mortgage quotation for a fixed rate mortgage" (which I understand is the mortgage Miss M took out). This says Miss M is required to apply for PPI as a condition of the mortgage.

From this information, I think Miss M's PPI was (as she's said) a condition of the mortgage and so compulsory. But this doesn't mean I should automatically uphold her complaint. That's because Lloyds was allowed to make PPI a condition of its mortgages. But it had to make this clear to its customers. So that's what I've looked at in Miss M's case.

As well as the mortgage quotation, I've also looked at a "summary of needs" form Miss M also sent us. It looks like this was filled in when Miss M was discussing her mortgage requirements with Lloyds. The form has a section on "mortgage repayment planning". This says that during a mortgage interview at the branch it was discovered that a mortgage protection plan was required to cover a first-time buyer's mortgage.

So it looks to me as if Miss M wanted to take out a particular mortgage with Lloyds. And taking that mortgage meant she was also required to take out a PPI policy on it. From both the mortgage quotation and the summary of needs form, I think it's clear PPI was a condition of the mortgage. I think it's also clear from what the summary of needs form says that Miss M knew this and agreed to it. And if she hadn't wanted the PPI, she could've looked for another mortgage where it wasn't compulsory. Because of all of this, I don't think it would be fair and reasonable to uphold Miss M's complaint on this point.

I've gone on to see if there are any other reasons why I should uphold Miss M's complaint but, from the information I've seen so far, I don't think there are. Lloyds says it recommended the PPI to Miss M so it needed to make sure it was right for her. I don't know what steps Lloyds took to do this but from what Miss M says of her circumstances at the time and the policy summary she's sent us, I think it was right for her. I say this because, based on these things:

- *It's likely Miss M was eligible for the PPI. And is doesn't seem as if she was affected by any of the main things the policy didn't cover – like known health issues or unusual employment arrangements. So there was nothing to stop Miss M claiming the full policy benefit if she'd needed to.*

  Miss M says the policy wouldn't have covered her if she'd developed backache or related conditions, and she says this is something she was particularly at risk of in her occupation. But I don't think the policy limitation for backache – which the policy summary says wouldn't have applied if there was "medical evidence of radiological disability resulting in abnormality" – would've been onerous for Miss M. So it doesn't change my conclusions on this point.

- *I think the PPI could've been of some use to Miss M. She says she would've got six months' full pay then six months' half pay if she was off work sick. But the PPI would've given her a monthly benefit for up to 12 months for each successful accident or sickness claim she made. And this would've been on top of Miss M's sick pay. It would also have paid out in the same way if Miss M lost her job. Miss M has told us she also had some savings. But the paperwork she's sent us from her mortgage interview says she had no long-term savings.*

  A mortgage is a significant and long-term financial commitment – and your home is at risk is you fall behind on your repayments. So I think the PPI policy gave Miss M useful protection on top of her workplace benefits.

- *I haven't seen anything to make me think Miss M couldn't afford the cover. And the monthly cost of the PPI at the time of the mortgage quotation was set out in the paperwork Miss M has sent us, so I think this was reasonably clear.*

As well as making sure the PPI was right for Miss M, Lloyds also had to give her enough clear information about the policy for her to be able to make an informed decision about whether or not she wanted it. I don't know what steps Lloyds took to do this. But, as I've said, I think it was clear to Miss M that, if she wanted the particular mortgage she was taking, PPI was compulsory. And I think the protection it offered was suitable for her. From this it follows that, based on what I've seen so far, I don't think the PPI was mis-sold.

But Lloyds has paid back some of the cost of the PPI to Miss M because:

- *Lloyds got a high level of commission and profit share (more than 50% of the PPI* *premium) – so it should've told Miss M about that. Because Lloyds didn't tell Miss M, 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.*"

As I've already mentioned, neither Miss M nor Lloyds has responded to my provisional decision. And having looked at Miss M's complaint again, I haven't found any reason to change any of the findings I set out in it. So these now form part of this final decision.

My final decision

For the reasons I've given, 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 Miss M.

But Lloyds Bank PLC does have to pay back to Miss M 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 Miss M to accept or reject my decision before 28 April 2021.

Jane Gallacher
Ombudsman