

## **The complaint**

Mr and Mrs C say Lloyds Bank PLC (trading as TSB) mis-sold them payment protection insurance (PPI).

## **What happened**

In 1994 Mr and Mrs C bought a PPI policy to protect their mortgage repayments. The sale most likely took place in a branch at the same time as they applied for their mortgage. The policy was in Mr C's sole name and gave him protection against accident, sickness and unemployment. They paid a monthly amount for it.

Our adjudicator didn't uphold the complaint. Mr and Mrs C disagreed so the complaint was 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.

In this case the evidence is limited and incomplete, so my decision is based on the balance of probabilities – in other words, on what I consider is most likely given the evidence we do have and what we know about how Lloyds sold PPI at the time. As an independent and impartial organisation we don't act on behalf of either consumer or banks - there's no benefit for us to find in favour of one party over the other.

Our general approach to complaints about PPI is on our website and I've followed it here.

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

Mr and Mrs C say they were told they had to have PPI to get the mortgage. Lloyds says it's more likely than not the optional nature of the policy was verbally explained before the sale concluded.

I can't know what was said in the meeting and Lloyds isn't able to provide documents to show how the PPI was presented to Mr and Mrs C. But the sale was over 25 years ago so this isn't surprising or unreasonable. I've thought carefully about everything Mr and Mrs C have said and I don't doubt these are their honest recollections. But I also have to take into account what we know about how Lloyds sold PPI at the time, as well how long ago the sale was and how that might affect what they recall. Without stronger evidence to show Lloyds didn't make it clear the PPI was optional, and Mr and Mrs C didn't agree to take it out, I can't fairly uphold the complaint on this point.

Lloyds recommended the PPI for Mr C to Mr and Mrs C, so it had to check if the PPI was right for him. I think it seems to have been suitable based on what I've seen of his circumstances at the time. I'll explain why.

Mr C told us he was entitled to six months' full pay, three months' 75% pay and six months' half pay if he was sick. But the PPI would have paid out in addition to his work benefits and for up to 12 months for each successful accident and sickness claim. He was entitled to nine months' redundancy pay but this policy gave him up to 12 months' redundancy cover – in addition to any payment from his employer. It would have allowed him to protect the lump sum redundancy payment giving increased financial security at an already difficult time.

Mr C told us they had savings of around £30,000, but explained they took out a mortgage for the same amount as they wanted to keep the savings. Mr and Mrs C haven't been able to evidence these savings, but they've said around two-thirds of these were from an inheritance Mrs C received. Mr C also said they didn't just buy the house outright as it was their first time co-habiting. In these circumstances I think the PPI would still have been useful. It would have allowed them to protect their savings – as was their rationale for taking out the mortgage in the first place. Or they could have used them to cover other living costs whilst Mr C wasn't working. On balance, I don't think the available evidence shows their savings meant the PPI wasn't still useful for them. In addition, I don't have certainty about the value of their savings at this time.

Mr C had a death-in-service benefit as well as life and critical illness cover but these policies wouldn't help with monthly mortgage payments in the same circumstances as PPI.

Mr and Mrs C were borrowing a large sum of money over a long period secured on their home. Given the serious consequences of missing mortgage payments I think the cover would've been useful for Mr and Mrs C if Mr C was sick, had an accident or lost his job.

It's possible Lloyds didn't give Mr and Mrs C all the information they needed before they decided to buy PPI. I don't know it made the cost clear, but the PPI was reasonably priced for the benefit it offered and it seems it was affordable. I don't know that Lloyds pointed out the main things the policy didn't cover. But Mr C doesn't appear to have been affected by any of those things (such as the type of employment contract or any pre-existing medical conditions). So I don't think better information would've changed their decision.

This means Lloyds doesn't have to pay back all of the cost of the PPI to Mr and Mrs C. But Lloyds has paid back some of the cost of the PPI to Mr and Mrs C because:

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

### **My final decision**

The PPI policy wasn't mis-sold – so Lloyds Bank PLC does not have to pay back all of the cost of the PPI to Mr and Mrs C.

But Lloyds Bank PLC does have to pay back to Mr and Mrs C 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 Mr and Mrs C to accept or reject my decision before 10 August 2021.

Rebecca Connelley  
**Ombudsman**