DRN-3479786

The complaint

Mrs S and Mr S complains that Lloyds Bank PLC ("Lloyds") mis-sold them mortgage payment protection insurance ("MPPI") policies alongside a mortgage.

What happened

Mrs S and Mr S bought a regular premium MPPI policy in November 1983 alongside a mortgage. They then took out a new mortgage in August 1993 and took out a MPPI policy as well. It did the same again in November 1994 when it took out another mortgage with Lloyds.

On each occasion they took out a new mortgage their monthly premium for the MPPI policy increased. They split any potential benefit provided by the policies equally: 50% of it could be claimed by Mrs S and 50% by Mr S.

Mrs S and Mr S say they did not realise they had been sold PPI alongside their mortgages and had never been made aware of it. They say they were mis-sold the MPPI policies on each of the 3 occasions.

Initially, our investigator did not uphold Mrs S and Mr S's complaint. Then more recently, the investigator partially upheld it. They said the second MPPI policy sold to Mrs S and Mr S in August 1993 wasn't suitable for them. This is because Mrs S was a temporary worker at the time and would've found it difficult to make a claim on the policy if she needed to due to the restrictive terms given within the policy. They didn't uphold Mrs S and Mr S's complaint about the MPPI policies sold to them in November 1983 or November 1994 though.

Lloyds responded to the investigator's second view and offered to put things right as they had described. Mrs S and Mr S didn't agree with the investigator about the first sale in 1983 and the third sale in 1994.

The parties are still not in agreement. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide.

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 S and Mr S's case.

The sale of MPPI policies in 1983 and in 1994

I've looked at all of the information provided by both parties and have decided not to uphold Mrs S and Mr S's complaint about the sales that took place in 1983 and in 1994. I will explain why.

Mrs S and Mr S say they were never made aware PPI was sold to them. I acknowledge what Mrs S and Mr S have said about this. I have read their emails to our service and can see that they have been clear about why they think they were mis-sold the policies.

That being said, I can't be sure what happened when the policies were sold in 1983 and again in 1994. These sales took place many years ago, and detailed recollections of what happened can fade over time.

Lloyds hasn't provided much documentation from the time either policy was sold. That's not surprising either given the time that's passed, and it's similar to some other cases I've seen.

Without anything else to support what Mrs S and Mr S have told me and based on what I know of sales conducted by Lloyds during the time it sold either policy in 1983 and 1994, I can't safely conclude that Lloyds didn't make them aware of the policy or that it was optional and that they chose to have it.

Moving on, Lloyds has said it recommended the MPPI policies sold to them in 1983 and 1994 to Mrs S and Mr S and so, as this puts additional responsibilities on the business, I will proceed that this was the case. So, as it did recommend the policies to Mrs S and Mr S, it had to ensure during each sale that the policies were suitable for Mrs S and Mr S's needs.

After reviewing the very limited information, it doesn't look as if either MPPI policy was unsuitable for Mrs S and Mr S based on what I've seen of their circumstances at the time. Mrs S and Mr S say they would have been able to use sick pay. (Mrs S says she held 6 months full and 6 months half sick pay in 1983 for example). But the MPPI policy would have paid in addition to any provisions they would have had and more likely for longer. So, the benefit would have been of use to Mrs S and Mr S during a difficult time as they could have used their provisions to pay for other expenses. I think, on balance, Mrs S and Mr S had a need for this cover at the date of each sale, for any extended period of need. I also couldn't find any other reason such as a significant or limiting term that would make the policies in 1983 and 1994 unsuitable for them either.

Lloyds has provided some information about the costs relating to the MPPI policies that Mrs S and Mr S took out but even though it has provided information detailing how much it cost I cannot be sure that the costs were disclosed to Mrs S and Mr S in a clear and fair way at the time of either sale. That said, even if they were disclosed clearly, I don't think Mrs S and Mr S would have done anything different and decided against having the policies for the reasons that I have already given for them being suitable. Its possible Lloyds didn't point out the main things the policies didn't cover. But its unlikely Mrs S and Mr S would've been affected by any of these.

In conclusion, although I know it will come as a disappointment, I do not uphold Mrs S and Mr S's complaint about the MPPI policies sold to them in 1983 and 1994.

The sale of an MPPI policy in 1993

Our investigator upheld Mrs S and Mr S's complaint about the MPPI policy sold to them in 1993. They said Mrs S would find it difficult to make a claim for unemployment. This is because she was on a temporary contract at the time and there were restrictive terms about this in the policy document. They concluded the policy was not suitable for them at that time.

Lloyds has made an offer to settle this complaint by paying compensation to Mrs S and Mr S regarding the MPPI policy sold to them in August 1993.

I have looked into this and agree with the investigator, for the same reasons. I also think the policy was unsuitable for Mrs S and Mr S. Lloyds has already made an offer to pay compensation for this and has offered to do so in line with what I will describe below.

Finally, Mrs S and Mr S also have recently said they haven't received any compensation regarding commission and profit share that Lloyds would've received by selling these policies. I can see within Lloyds final response letter that it has said it will do this, how much it is going to pay and that it will do this 28 days from the date of that letter. If Mrs S and Mr S haven't received this payment they will need to make contact with Lloyds and make a complaint about this to them in the first instance and if they are still not happy with Lloyds response they can then make a complaint about this, to our service, if they want to.

Putting things right

Lloyds should put Mrs S and Mr S in the position they'd be in now if they hadn't taken out the MPPI policy in August 1993. Lloyds should:

- Pay Mrs S and Mr S the amount they paid each month for the PPI sold in 1993.

- Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on.†

- If Mrs S and Mr S made a successful claim under the PPI policy, Lloyds can take off what they got for the claim from the amount it owes them.

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mrs S and Mr S a certificate showing how much tax it's taken off if they ask for one.

My final decision

I uphold Mrs S and Mr S's complaint about an MPPI sold to them in August 1993 and direct Lloyds Bank PLC to put things right as I have described above.

I do not uphold Mrs S and Mr S's complaint about MPPI policies sold to them in November 1983 and 1994.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 13 June 2022.

Mark Richardson
Ombudsman