DRN-3539128

The complaint

Mr B and Mrs S have complained that Lloyds Bank PLC mis-sold them mortgage payment protection insurance (PPI) policies in 2002, February 2004, October 2004 and 2005.

What happened

Mr B and Mrs S took out the PPI at the same time as arranging the mortgages. Although they were joint mortgages, the first two policies were set up just to cover Mr B. The last two policies covered both Mr B and Mrs S.

Our adjudicator upheld the complaint. Lloyds didn't respond to the adjudicator's view and so the complaint has been passed to me for a 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.

I've decided to uphold the complaint and I'll explain why.

Mr B and Mrs S say they weren't told anything about the policies and that they didn't know the PPI had been added to the mortgage accounts – meaning that the policies were added without their knowledge or consent.

Lloyds hasn't provided any evidence in relation to the first three sales. For the fourth sale, which was made over the phone, it has provided a copy of the 'teledirect loan assessment form'. In relation to PPI, the business use section of the form has a tick next to a 'yes' box to denote that PPI is to be added. But there is nothing to show that Mr B and Mrs S were asked if they wanted the policy and actively given a choice about having it. There is also no evidence that they were provided with any information about the policy, such as the cost and benefits or any significant clauses. The form has a space where the cost of the policy can be recorded but this has been left blank.

This is an unusual case because there isn't much evidence from the times of the sales, such as any paperwork for the mortgages or the PPI. Lloyds has been asked, on more than one occasion, to provide any more information it may wish to, but it has not responded. It also did not respond to the adjudicator's uphold view.

Where the evidence is incomplete (as it is here), inconclusive or contradictory, I reach my decision based on the evidence that we do have and what I consider is most likely to have happened.

Lloyds needed to present the PPI it sold to Mr B and Mrs S as optional. Because, if it didn't make that clear, that would restrict their ability to choose if they wanted the policy or not in their circumstances. I haven't seen anything to show that Mr B and Mrs S were told about the policies or actively confirmed that they wanted them. On balance, I'm not persuaded that Mr B and Mrs S were given a choice about buying the PPI.

Based on the available evidence, I have some other concerns about the sales, such as if Mr B and Mrs S were given sufficient information about how much the policies would cost. However, I am satisfied that the failure to make it clear that the PPI policies were optional is a sufficient ground in itself to uphold the complaint.

Putting things right

Lloyds should put Mr B and Mrs S in the position they'd be in now if they hadn't taken out PPI. Therefore, for each policy, Lloyds should:

- Pay Mr B and Mrs S the amount they paid each month for the PPI.
- Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 8% a year†.
- If a successful claim was made under any of the PPI policies, Lloyds can take off what Mr B and Mrs S 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 Mr B and Mrs S a certificate showing how much tax it's taken off if they ask for one.

My final decision

My decision is that I uphold Mr B and Mrs S's complaint and require Lloyds Bank PLC to pay fair compensation as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs S to accept or reject my decision before 22 July 2022.
Carole Clark
Ombudsman