

## **The complaint**

Mrs P and the estate of the late Mr P have complained that Lloyds Bank PLC mis-sold them a mortgage payment protection insurance (PPI) policy in 2000.

## **What happened**

Mr and Mrs P first started talking to Lloyds about taking out a mortgage in 2000 and I've seen a mortgage quotation that they were given in May 2000 which included an amount for PPI. Mrs P says they had to wait a year before transferring their mortgage to Lloyds as they needed to provide three years' worth of accounts. That explains why further paperwork was completed for the PPI in May 2001. So the actual start date of the PPI was May 2001, even though they agreed to buy it ('the sale') a year earlier.

Our adjudicator didn't uphold the complaint. Mrs P disagrees with the adjudicator's opinion 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.

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 this case.

Mrs P has raised a number of different issues as part of this complaint. I don't intend to address them all here but I would like to assure Mrs P that I have fully considered all of her submissions to reach a decision about whether or not the mortgage PPI was mis-sold.

I've decided not to uphold the complaint and I'll explain why.

First of all I'd like to clear up a misunderstanding about the policy. Mrs P says Lloyds have told her it was a joint policy and so, if it was held jointly, all cover should have been transferred over to her upon Mr P's death. I can understand why Mrs P says that Lloyds told her it was a joint policy. That's because Lloyds made a mistake in its final response letter dated 11 September 2019. Because although at the top of the letter the mortgage and PPI numbers are correctly set out, within the body of the letter Lloyds talks about the policy ending 4683 being held jointly in Mr and Mrs P's names. However, account 4683 is the mortgage account number and not the PPI policy number. Lloyds then reiterated this mistake in its letter dated 29 July 2020 because it talked about the PPI being held by Mrs P and the late Mr P.

To be clear, although it was a joint mortgage, the PPI (policy number ending 3777) was set up just to cover Mr P. This is clear from the policy schedule that Mrs P now has a copy of.

### *Was the policy mis-sold?*

From what we know of Lloyds' normal sales process, the PPI was usually presented as optional and I haven't seen any evidence that would lead me to conclude that something

different happened in this case. Mr and Mrs P both signed the PPI proposal form and then Mr P signed the direct debit mandate. On balance, I consider it more likely than not that Mr and Mrs P decided to buy the policy, knowing that they didn't have to.

Lloyds advised Mr and Mrs P to buy the PPI. That means that, in recommending it to them, Lloyds needed to ensure that it met their needs. And from what I know of their circumstances at the time, the policy was suitable for them.

The policy was set up to cover Mr P for accident, sickness and unemployment. This makes sense as he was the main breadwinner and the household income would be impacted if he were unable to work. Mrs P has told us that, although she was listed as a director of her husband's company, she didn't work and that Mr P gave her housekeeping money.

The available evidence shows that Mr P had arranged to take out an income protection policy in May 2000 that went live in June 2000. This was cancelled in November 2003 according to Lloyds' records. As it was cancelled so long ago, there are no details of the policy, such as what risks it was covering and what the deferment period was etc. On balance, I'm unable to conclude that the PPI was duplicating any existing cover.

Overall I think it was reasonable of Lloyds to advise Mr and Mrs P to buy the policy. Mr P was eligible for it and could have benefitted from it if he was unable to work due to accident, sickness or unemployment, subject to the policy terms and conditions.

Lloyds also needed to provide Mr and Mrs P with sufficient information for them to make an informed choice about whether or not the PPI was right for them. It's possible that Lloyds didn't provide as much information as it should have about the policy, particularly about the things that it didn't cover. But Mr P wasn't affected by any of those things. As I think they had an interest in the policy and decided to buy it, I don't think that more information would have caused them to change their minds.

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

- When the policy was sold, Lloyds expected to get a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mr and Mrs P about that. Because Lloyds didn't tell them, 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.

Mrs P received her portion of this refund directly into a bank account. She says that the executor of Mr P's estate has never received the cheque Lloyds says it sent. Although Lloyds has confirmed the cheque number and date of issue, it has yet to confirm to this service whether or not it was cashed, which I will address further below.

I'll now come on to a few other points that Mrs P has raised.

#### *Other issues relating to the mortgage PPI*

Mrs P has said they didn't take out standard cover. As it was Payment Protection Plus, it had the added benefit of life cover. Mrs P has now been provided with a copy of the policy schedule and so hopefully is now persuaded that the policy was just in her husband's name and that it was just for accident, sickness and unemployment. The 'Plus' part of the policy relates to the enhanced benefit that the policy provided. Because, as well as covering the monthly mortgage repayments it would pay out an additional £3 for every £1,000 of the original mortgage amount.

Mrs P made a claim on the policy when her husband died although she doesn't recall this. She was sent a letter on 16 August 2010 explaining why the claim had been declined. I think it's likely that, in her conversations with the insurer at this time, she would have been told that there was no life cover on the policy. Otherwise I think it's likely that she would have made a complaint back when the claim was declined.

The claim was declined as sickness claims of less than 60 days are excluded and Mr P was only unfit to work for 43 days before he died. Mrs P says she can't see anything to say that if someone succumbed to their illness that they weren't entitled to the full 12 month benefit. However, at the point that Mr P died, it was no longer a sickness claim. At that point it would have become a life insurance claim, but the policy didn't provide life cover.

Mrs P has said she told Lloyds when her husband died in June 2009 and yet the premiums were still being taken until August 2010. However, following the declinature of the claim, Mrs P was provided with a refund of those premiums. Mrs P says she has been mis-led in this regard and would have claimed on the policy herself, as the other person named on the policy, instead of having the premiums returned. However, as I hope has been established, Mrs P was not named on the policy.

### The Income Protection Policy

The benefit of the income protection policy was £1,107 per month and so Mrs P thinks that it should have paid out 12 x £1,107 upon Mr P's death in 2009. That is not the case. Based on what I've seen, the policy would have paid out 12 times the monthly premium of £47.18 at the time of death. However, this isn't relevant because, as already mentioned, the policy was cancelled in November 2003.

### **My final decision**

My final decision is that the PPI was not mis-sold – Lloyds Bank PLC does not have to pay back all of the cost of the PPI to Mrs P and the estate of Mr P.

But Lloyds Bank PLC does have to pay back any commission and profit share it got that was more than 50% of the PPI premium. It has already paid Mrs P her portion of this.

However, Lloyds Bank PLC should check whether the cheque it sent to the executor in September 2019 was been cashed. If it has not been, Lloyds Bank PLC should re-issue the cheque, ensuring it has the correct contact details.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and the estate of Mr P to accept or reject my decision before 27 January 2023.

Carole Clark  
**Ombudsman**