DRN-3922882

The complaint

Mr W complains that Lloyds Bank PLC did not fairly compensate him a Personal Income Insurance ('PII') policy was mis-sold to him.

What happened

Mr W complained to Lloyds about the sale of the PII policy. Lloyds accepted it had been mis-sold and offered to compensate Mr W for that mis-sale.

By way of a final response letter dated 11 January 2021, Lloyds offered to pay £948.98 as compensation. In calculating that refund, Lloyds said that Mr W had paid PII premiums from 14 September 1998 until 14 December 2002.

Mr W did not accept Lloyds' calculation because he said he had paid for the PII policy earlier than 1998. He provided two bank statements that appeared to show a PII policy being paid in November 1991 and December 1992.

Our adjudicator considered the matter and said that he thought Mr W had paid for PII from November 1991. He thought Lloyds should recalculate its offer of compensation to start from that time.

Lloyds did not respond to our adjudicator's view and so the matter was passed to me to make a final decision. I asked our adjudicator to find out whether Mr W had any further statements showing the PII was paid for between 1991 and 1998. Mr W was able to provide some further bank statements.

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 upheld the complaint. I'll explain why below.

The parties agree that PII was mis-sold. So, I don't have to comment on what happened at the point of sale. I'm looking at whether Mr W has been fairly compensated for that mis-sale.

Lloyds accepted that Mr W had paid for the PII policy from 14 September 1998 onwards. I have seen some of Mr W's bank statements from 1998 and 2000. I can see that the PII transactions are marked *'Personal Inc Ins'* and the premium was £8.24.

I can see that same transaction for the same amount debited from Mr W's account on 14 May 1997 and 14 July 1997. Transactions for *'Personal Inc Ins'* also appear on Mr W's bank statements on 15 July 1996 and 14 November 1996 and £8.12 was debited on each occasion. As these entries on Mr W's bank statements are exactly the same as the transactions for the period during which Lloyds accepted Mr W had the PII policy, I am satisfied these payments in 1996 and 1997 are for that same policy. It follows Mr W did have PII for a period before Lloyds' calculations begin.

I have also seen transactions on Mr W's bank statements from an earlier date with the reference 'GAFLAC – TSB PII'. The premiums were £7.92 and I have seen payments on 7 November 1991, 9 March 1992 and 8 December 1992. It appears to me most likely that the

PII referred to on the statement was a personal income insurance policy paid at the time to Lloyds.

I accept I have not seen any statements from January 1993 up to 14 July 1996. However, I do not consider it unusual that Mr W would not have a full set of statements going back for such a long time.

When I'm considering a complaint like this and the evidence is incomplete, I have to apply the balance of probabilities. So, I must decide what most likely happened based on the evidence before me. In my view, it appears to me most likely that the PII continued between those dates. I haven't seen any evidence to suggest the PII policy stopped at that time or that Mr W made a new application for what appears most likely to have been the same policy.

On balance, I agree with our adjudicator that Mr W had paid for the PII policy from November 1991 onwards and Lloyds will need to pay compensation from this time. The cost of the premiums changed over the years and the date upon which those changes were made is not entirely clear. On that basis, when Lloyds is recalculating its offer, it must make the assumptions as to the cost of the policy that I have set out below.

Putting things right

Lloyds must put Mr W in the financial position he would be in now if he hadn't taken out the PII policy. It must:

a) calculate compensation from 7 November 1991 to 14 December 2002 (inclusive);

b) pay Mr W the amount he paid each month for the PII. In doing so, it must assume Mr W paid for the PII policy each month and that the monthly cost of the policy was:

   - £7.92 from 7 November 1991 to 14 July 1996;
   - £8.12 from 15 July 1996 to 13 May 1997; and
   - £8.24 from 14 May 1997 to 14 December 2002 (inclusive);

c) add simple interest to each payment from when Mr W paid it until he gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on;†

d) if Mr W made a successful claim under the PII policy, Lloyds can take off what he got for the claim from the amount it now owes him.

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mr W a certificate showing how much tax it's taken off if he asks for one.

My final decision

I uphold this complaint and require Lloyds Bank PLC to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 March 2023.

Nicola Bowes

Ombudsman