

Complaint

Ms D's complaint is about a credit card payment protection insurance (PPI) policy that remained in place after Ms D ceased to be employed. She would like Lloyds Bank General Insurance Limited ("Lloyds") to refund the premiums she paid for the period it was the insurer.

Ms D's daughter is representing her but as Ms D remains the complainant, I've only referred to Ms D throughout the complaint.

Background

Ms D took out a credit card PPI in 1994. In 1995 Ms D stopped working and says she hasn't worked since. But she didn't cancel the PPI.

Ms D has previously raised a complaint about the sale of the PPI – and whilst that wasn't upheld, she did receive compensation for undisclosed commission and profit share as part of that complaint.

The insurance company that provided the insurance from 1995 to 2009, refunded all the premiums it had collected (less any amounts refunded in relation to her complaint about undisclosed commission). But it said that Lloyds was the insurer from 2009 until the policy was cancelled in 2013. So it could not refund those amounts.

Ms D (through our service), asked Lloyds to refund the premiums it had collected from 2009 until cancellation. But Lloyds did not respond.

Our investigator then formally looked into the complaint. He explained that based on the evidence he'd seen, Ms D hadn't worked since 1995 so felt Lloyds ought to refund any PPI it had charged Ms D and any associated interest. But he didn't recommend any additional compensatory interest to be refunded. He also recommended £200 compensation for the distress and inconvenience caused by Lloyds not responding to the complaint.

Lloyds still did not respond so the complaint has been passed to me.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I have decided that the complaint should be upheld for the same reasons as those set out by our adjudicator.

Ms D says she hasn't worked since 1995. Ms D has submitted her p45 from 1995 as well as tax records obtained from Her Majesty's Revenue and Customs (HMRC) from 2000-2003 indicating she wasn't employed. Based on the records she's been able to submit, in conjunction with her testimony, which has been consistent – I'm satisfied Ms D hasn't worked since 1995.

I've been told that Lloyds has previously said that the policy provided cover for risks other than PPI such as life insurance. As it potentially remained on risk of paying other claims, it didn't have to refund the premiums paid.

But I disagree. I've looked at the policy terms that likely apply to Ms D's PPI and it says the following:

"In additional all cover and benefits will end on the earliest of the following:

- *when you cease to be gainfully employed or employed for 16 hours or more per week"*

Based on the PPI policy terms, Ms D's cover ended when she stopped working and she wouldn't have been able to claim for any elements of the policy – be that accident, sickness, unemployment or life. So I'm not satisfied that Lloyds remained on risk and therefore should be allowed to keep the premiums.

Therefore, as explained by our adjudicator, I think Lloyds should refund the premiums Ms D paid and associated credit card interest, for the period it was the insurer of this policy. My understanding is that Lloyds was the insurer from 2009 until the policy was cancelled.

It may be helpful to clarify that it was Ms D's responsibility to cancel the PPI if it no longer met her needs. So the policy remaining in place was not due to an error on the part of Lloyds. Insurers are not under any obligation to check in with consumers to ensure the policy is still right for them, but consumers are expected to contact their insurer to cancel it if it no longer meets their needs. So, while I understand Ms D has paid premiums despite not being in a position to utilise the cover – this was not due to an error on the part of Lloyds. So I don't think it needs to pay her any compensatory interest for being deprived of the money she's paid in premiums.

Having said that, I think it was clear from when Lloyds was first contacted that Ms D's complaint should have been upheld and the premiums should have been refunded. But Lloyds has not replied or responded to Ms D's complaint. Ms D has spent a considerable amount of time and effort trying to bring this complaint to a resolution. So as explained by our adjudicator, I agree that Lloyds should pay £200 compensation for the trouble and upset caused.

Putting things right

- So, Lloyds should refund the PPI premiums Ms D paid, as well as any associated interest charged on those premiums for the period it was the insurer.
- Lloyds can take off any amounts it has already refunded in relation to Mrs D's complaint about undisclosed commission.
- Lloyds should pay Ms D £200 for the trouble and upset caused

My final decision

For the reasons explained, I uphold this complaint and Lloyds Bank General Insurance Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 11 April 2023.

Asma Begum
Ombudsman