

The complaint

Mrs J complains that Lloyds Bank PLC mis-sold her an income protection policy.

What happened

Mrs J had a meeting with Lloyds in September 2012 and October 2014. During both meetings Lloyds recommended Mrs J a policy that would provide an income benefit if she couldn't work due to an accident or illness.

Mrs J made a claim for an income benefit with the insurer in 2023 but her claim was declined. Following this, she made a complaint to Lloyds and said the policies were mis-sold to her. Mrs J said the advisor had told her she'd be covered for anything and everything, including mental health.

Lloyds didn't think it had mis-sold the policies to Mrs J in 2012 or 2014. It said the advisors had recommended the policies to her based on her needs, and Mrs J had a choice if she wanted to accept the recommendation.

Unhappy with Lloyds' response, Mrs J brought a complaint to our service. One of our investigators looked into what had happened. Having done so, he didn't think Lloyds had mis-sold the policies to Mrs J. In short, he thought Lloyds had made sure the policies were suitable for Mrs J based on her needs, it gave her enough information about the policies, and she had a choice if she wanted to buy them.

Mrs J didn't agree with our investigator's findings. In summary, she said the following:

- The advisor misrepresented the policy coverage by leading her to believe the policies covered her for anything and everything that prevented her from working. Mrs J was explicitly told that if a doctor signed her off for any reason, she would be covered.
- Mrs J was under the impression that it was essential and necessary to take out the policy, as implied by the advisor. The advisor should have made it explicitly clear during the sale that the policies were optional.
- The advisor failed to properly assess Mrs J's needs. As her claim was declined, it wasn't fit for purpose.
- Lloyds had a duty to ensure a consumer fully understood the terms. Mrs J says that had Lloyds given her full and accurate information about the scope and limitations of the policies, she wouldn't have bought them.

As no agreement was reached, the complaint has been passed to me 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.

Having done so, I broadly agree with the overall conclusions reached by the investigator for the following reasons:

- Lloyds sold the policies to Mrs J in 2012 and 2014 on an advised basis. That means that it needed to make sure the policies were suitable for Mrs J's needs. Lloyds also needed to make sure it gave Mrs J information that was clear, fair and not misleading.
- Lloyds assessed Mrs J's needs in 2012 and identified that she was in full-time employment, and she didn't receive any benefit if she was unable to work due to an accident or illness. The advisor recorded that Mrs J wanted a policy that provided an income if she suffered from a long-term illness, so it recommended a policy that provided a benefit of 50% of Mrs J's gross annual salary. Lloyds recommended the minimum deferred period, which was 13 weeks, to ensure Mrs J received the benefits from the policy as quickly as possible.
- I think Lloyds acted fairly and reasonably when it recommended the income protection policy to Mrs J, based on her needs. I also think the sale documents make it clear that Mrs J had a choice to accept or decline the recommendation – in fact, she declined another recommendation Lloyds made. So, I'm not persuaded that Lloyds didn't make it clear the policy was optional.
- I'm also satisfied Lloyds gave Mrs J enough information about the policy. I can see that Lloyds provided Mrs J with the key facts document which set out the key features of the policy, along with the relevant sale documents. These set out important information such as that the benefit would be paid for a maximum of 60 months, that Mrs J would need to review her income protection arrangements if her employment status changed, the impact of a change of employment status, and the definition of incapacity and when this would change. So, I'm satisfied these were highlighted to Mrs J at the time of the sale.
- I appreciate Mrs J says the advisor told her she'd be covered for anything and everything. But having reviewed all the information from the time of the sale, I'm not persuaded Lloyds gave Mrs J incorrect advice.
- Lloyds assessed Mrs J's needs again in October 2014. It was recorded that one of the financial objectives was to protect Mrs J's income against sickness or accident. As her salary had increased, Lloyds recommended an additional policy to increase the total benefit to 50% of her gross salary. No other changes impacting the income protection policy were recorded, so Lloyds' recommendation was otherwise the same as in 2012.
- I think Lloyds acted fairly and reasonably when it recommended the additional income protection policy to Mrs J, based on her needs. Again, I'm persuaded that the sale documents make it clear Mrs J had a choice to accept or decline the recommendation to buy the policy. And I'm satisfied Lloyds highlighted the important information about the policy – it again provided Mrs J a key facts document, along with the relevant sale documents. I'm not persuaded that Lloyds gave Mrs J incorrect advice at this point either.
- Overall, I'm not persuaded Lloyds acted unfairly or unreasonably in the circumstances of Mrs J's complaint.

My final decision

My final decision is that I don't uphold Mrs J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 10 April 2025.

Renja Anderson
Ombudsman