

## The complaint

Mr B complains, on behalf of a limited company called M (in his position as director), that Lloyds Bank PLC mis-sold two protection policies. He says misleading advice was given and he was pressured into taking out the policies. He also says the cover was unsuitable.

## What happened

In July 2009, Lloyds provided advice to M to take out a Key Person protection policy. The policy was to cover Mr B as the sole director of M and pay out a sum assured of £150,000 on his premature death or diagnosis of a specified critical illness – with an aim to provide funds to employ staff to continue the operation of the business.

At the same time Lloyds also advised M on an arrangement whereby it would provide Mr B with an employee benefit of a critical illness (CIC) policy that would provide him with a lump sum of £500,000 in the event he was diagnosed with a critical illness, and also provide life cover of the same amount.

Initially M paid the premiums for both policies. From June 2012 Mr B paid the premiums himself in a personal capacity.

The policies commenced in October 2009. Both policies were put into Trust.

In October 2023, Mr B raised a complaint with Lloyds. He said that the policies were sold through inaccurate and misleading advice. He also said the advice was conducted under a high-pressured sale practice by the adviser, and the policies were unsuitable cover for his lifestyle, circumstances and needs.

In December 2023, Lloyds provided a second response to the complaint covering the mis-sale of the policies. It didn't uphold the complaint. Unsatisfied with the response, Mr B referred the complaint to this service for an independent review.

In September 2025, I issued a provisional decision. I found the advice Lloyds provided in 2009 was given to M, rather than Mr B in his personal capacity. So, I considered whether the advice provided to M was suitable – taking into account its aims objectives and circumstances. I didn't think the complaint should be upheld and explained by taking each policy in turn.

This is what I said:

### *“Key Person Protection*

*Firstly, I've considered the advice to take out the Key Person policy. This policy provided a lump sum payment of £150,000 if Mr B was diagnosed with a range of specified critical illnesses or if he died during the term. Initially the level of cover recommended by Lloyds was £580,000. It says this was based on a multiplier of Mr B's remuneration and based on the calculated risk value as he was a key person because of his skills. But this was reduced at Mr B's request.*

*The suitability letter sets out M had a priority to ensure the continuing operation of the business should a business owner or key person die or be diagnosed with a critical illness. It goes on to say it was discussed that there was need to minimise the impact for the business and potentially recruit another body to fulfil Mr B's role if he was to suffer a serious illness - which would be quite costly. Lloyds said this policy would satisfy these needs as the funds would allow M to continue its operation so that the profitability of the business is not affected. It says M was able to commit £92 per month, but while this was at a lower level of cover than suggested, the advisor recommended reviewing this each year and increasing the cover in the future as circumstances allow.*

*I note Mr B was the sole director of M and therefore he was key to the running of the business, and if he was unable to work this would have a significant impact on the operation of the business. So, I agree there was a need for protection should he be unable to work due to a critical illness. The policy was taken out for the benefit of M not for Mr B personally – so it was reasonable for the cover to be recommended as it doesn't appear there was anything else in place.*

*From the information provided about M's financial position at the time, the premiums appear affordable for it. The policy did include indexation to increase the cover and was subject to reviews. But I haven't seen that affordability was an issue for M. As noted, the level of cover was reduced from the initial amount, so it does appear the commitment it was prepared to make was considered as part of the advice process. Lloyds has provided justification for why it was recommending a higher level of cover, but Mr B was able to make a decision on what he wanted to pay towards the policy in his position as director of M.*

*Overall, I haven't found the recommendation for M to take out the Key Person policy covering Mr B was unsuitable advice at the time.*

#### *The CIC policy*

*This policy provided a lump sum payment in the event Mr M (as the life assured) suffered a critical illness or on his death. It was taken out as an employee benefit that M was providing to its employee, Mr B. It did include indexation, which broadly meant the level of cover (and associated premium) increased in line with inflation. The initial cover was set at £500,000.*

*The suitability letter sets out that an area of concern for M was to provide a package of benefits that will help attract and retain staff. The suitability letter records that a discussion was held about M's objectives in this area and Mr B wished to look at an employee benefits package to provide cover as he was aware of the tax advantages (for M) of doing so. While the advice was being provided to M, it is noted that Mr B didn't have any existing cover to maintain his lifestyle and also to support funding any treatment or additional expenses if he was to suffer a critical illness. It also records that M was able to commit around £300 per month to provide this benefit to its employees. M's financial position is summarised in the suitability letter using data from the previous year's accounts. This confirms turnover of just under £900,000 and a gross profit of nearly £500,000.*

*Lloyds says the amount of cover for this policy would have been determined during a discussion between the adviser and M (represented by Mr B), based on what the business was willing to contribute towards the employee benefit each month and the term of 24 years was consistent with Mr B's preferred retirement age of 65. It also said the inclusion of indexation was to ensure the policy met the ongoing need of the business and the employee. It pointed out that at each policy anniversary, M would have been given the option to decline the increase in premium and sum assured but its records show the increasing premium was maintained each year.*

*I note the premium was increased following a review of medical information as part of the underwriting process – so it was above the amount detailed in the suitability letter. Lloyds says the provider wrote to M with an increased premium before the policy started, which was accepted.*

*As the advice to take out this policy was given to M, and not Mr B in his personal capacity, I don't find there was a requirement to assess Mr B's ability to meet the premiums. They were paid for by M at the outset, so it was M's affordability that is relevant here. From the information provided, I haven't seen anything to indicate that M couldn't afford to meet the commitment (including the indexation) for the employee benefit it was taking out.*

*I note Mr B says he has struggled to continue to pay the policies and is now in the process of cancelling both policies on grounds of affordability. And he says the lack of affordability was a primary reason for making the complaint. As previously noted, at the outset the policy was being paid for by M, and not Mr B personally. So, I don't think Lloyds could have reasonably anticipated during the advice that Mr B would take on the premiums himself and find this unaffordable. It's clear from the sales documents that this was being advised as an employee benefit M was providing to Mr B, and not a policy he was taking out personally. While I empathise with his current situation and the difficulty he has had meeting the premiums, I don't think this means there were problems with the original advice provided to him as director of M.*

*Overall, I think there was a need identified for the policy in that M was looking to provide a benefit for its employee. It seems this arrangement was beneficial for M as it provided a tax advantage for the business. While the level of cover is reasonably high, the information provided about Mr B's remuneration suggests this was in line with his circumstances and the type of cover needed to maintain his lifestyle. I also acknowledge the point made that the key consideration is around what M was prepared to pay for its employee benefits. I'm satisfied the level of cover recommended was set in line with the needs of M's employee and at a cost that it was able to accept. This cover would also compliment the Key Person policy that was being taken out by M, as there was now cover in place for both Mr B personally and for the business should he suffer a critical illness.*

*So, for the reasons given, I'm not minded to reach a finding that this policy was an unsuitable recommendation for M at the time of advice.*

#### *Pressured sale*

*Mr B says that when these policies were recommended, he was subject to high pressured sales tactics by Lloyds. I've considered the points he has made about aggressive selling by the branch and demanding that the Key Person policy be purchased in order to maintain borrowing taken out by M. Mr B feels the cover was forced upon him using predatory sales practices.*

*While I'm not considering a complaint about any lending M took out with Lloyds, I haven't seen that these policies were linked to business lending or other commitments M had with Lloyds at the time. I haven't found anything to suggest a requirement was placed on M to take out this cover. The documentation from the time indicates Mr B was given a choice about whether to accept the recommendations given to M. This is supported by the fact the initial premium level for the Key Person protection was rejected by Mr B and a lower premium (and level of cover) selected. I also note after the underwriting was completed the premium for the CIC policy was also adjusted upwards, and this increase was accepted.*

*Overall, I've not been persuaded that the evidence supports that M wasn't given a proper choice about taking the cover. I understand this will come as a disappointment to Mr B but I currently don't think Lloyds needs to refund any of the premiums paid."*

Mr B responded and provided further submissions on behalf of M for me to consider. He maintains the policies were mis-sold based on misleading, inaccurate and flawed advice, ignoring substantial and ongoing evidence of a lack of affordability in the months before and during the sales process. He also reiterated there was unfair pressure and duress in the sales process.

In summary he said:

- Lloyds was aware across most of 2009, the trading year concerned with the sale, that company M was in increasing and serious financial distress, approaching insolvency and experiencing seriously challenging and worsening trading conditions in the months before the sale of the policies. The suitability report presents aged, out-of-date, and unrealistically favourable information which was at least 14 months out of date at the time of the suitability report.
- Company M was required to provide Lloyds with regular and detailed information including management accounts (P&L and balance sheet), all client invoices, showing that the business, M, was in distress and at risk of insolvency. Lloyds was aware of unpaid business expenses and made demands to repay a personal overdraft.
- The email of 2 October 2009 between Mr B and Lloyds provides contemporaneous and contextual proof of M's financial position at the time of advice.
- There is no evidence of an affordability review for either Mr B or M. Lloyds' existing relationship with M meant it had the most detailed and in-depth review about his personal and business finances as it controlled the company sales invoicing and receipts, through invoice factoring.
- Suitability cannot be assessed by looking at "company affordability" in isolation from Mr B's affordability in what was a one-person business where he was substantially funding the company. This is supported by evidence from the accountant and official company accounts for M.
- Following the advice from Lloyds and his accountant, Mr B placed M into financial dormancy for five months in late 2008 and early 2009, as shown in the company accounts, for year 2008/09. These significant facts were entirely ignored, overlooked and masked by Lloyds in the suitability report and this is a substantive and important omission.
- The suitability report overstates Mr B's personal income very substantially. His income dropped between 2007/08 and 2008/09. Company M's profits also plummeted in the same period. Although the 2009 accounts were not yet lodged at the time of advice, Lloyds was receiving regular monthly management accounts, all invoices and payments were registered through the invoice factoring platform, so it was intimately aware of the financial position.
- He was told if he did not take out insurance through Lloyds, services would be withdrawn for M – so it had practically zero choice in the matter.

- He has no recollection of being provided or sent a copy of the suitability report at the time of the sale. It is not signed by him. It is littered with substantial factual inaccuracies, poor and unsafe advice and he believes it to be highly contradictory. It lifts figures from the year ending in March 2008 while describing them as “for the current trading year” although the bank had in its possession a wealth of current and accurate information about the financial circumstances at company M in 2009, including the dormancy of the company in late 2008 to early 2009.
- The full extent of the impact of the indexation of the policies was hidden, and described inconsistently, opaquely and confusingly, being referred to as both “fixed +5%” and rising “in line with inflation” in the suitability report. The suitability letter is fundamentally misleading and confusing.
- At the time of sale Mr B had no dependents, so had no standalone personal need for life cover but it was bundled in anyway. The single-pool structure means a CIC payout exhausts life cover— a material limitation not explained during the sale.

Lloyds has provided further comments on the response provided by Mr B. In summary it said:

- The policies included the indexation option, meaning they increased each year to help protect against the effects of inflation. The Key Features Document (KFD) indicates that indexation could result in annual increases of up to 10% as a maximum per annum and based on Mr B’s analysis, his policy has fallen below this figure. Therefore, the policy falls within expectation set out during the sale. Each year Mr B had the option to either accept, reject or remove the indexation completely. Each year, Mr B made an informed decision to proceed with the indexation increase. If, at any point during the policy term, the premiums had become unaffordable—either for M or for Mr B after he assumed responsibility for the contributions—the indexation option could have been removed at the policy anniversary.
- When investigating concerns relating to a potential mis-sale, it relies on the documentation available and its understanding of the processes in place at the time. Mr B signed a declaration to confirm he had received, read, understood, and agreed with the Summary and Recommendations Report following his meeting with the Financial Planning Manager, therefore it has no reason to doubt the accuracy of these documents.
- The report confirms M could commit to the monthly payment for both policies. For the Key Person Protection it was able to commit to the £92.00 each month and there is no evidence this was unaffordable. The level of cover was reduced from the initial amount recommended therefore the commitment M was prepared to make was considered as part of the advice process. For the CIC policy the amount of cover was determined during a discussion between the adviser and Mr B based on what M was willing to contribute towards the employee benefit each month. The life cover was included at no additional cost. The suitability letter confirms M was able to commit to £300 each month to provide this benefit for its employees. M’s financial position is summarised using data from the previous years’ accounts. Following the underwriting process, the initial premium was increased, and Scottish Widows—as the policy administrator—issued written confirmation of this adjustment to M. If the revised premium had been unaffordable, there was an opportunity at that stage to contact the adviser for further guidance or to decide not to proceed. The policy would not have been implemented without M’s explicit consent to the revised terms.

- Its business banking managers confirmed M's business account had an approved overdraft at the point of sale. And the business account history indicates that the company did not receive a regular income stream. Instead, it relied on irregular income in the form of large lump sum payments and made use of the agreed overdraft facility. This remained the same over the following few years. There is no evidence of irresponsible lending or that the policies were used as a condition of lending or for other commitments M had. The policies did not push the account into overdraft.
- When completing the fact find the financial details would have been supplied to the adviser by M. It is recorded on the suitability report that the previous year's accounts were to be used for the current trading year. Mr B confirmed that the information he gave regarding the business financial circumstances was an accurate reflection and that if this was inaccurate, the advice may be unsuitable.

### **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 considered the further responses to my provisional decision, alongside all of the other submissions made. I recognise M's strength of feeling about this complaint. Its director Mr B has made detailed submissions in response to my provisional findings. I want to reassure him that I have considered everything he has sent. And I hope he won't think I am being discourteous, but I will not be addressing all of the points he has made in detail. While I will not be addressing every single point, I have fully considered everything and am satisfied that my findings below address the substance of the arguments that have been put forward.

As explained, M's response to the provisional decision is detailed, and I will be focussing on the key areas of dispute Mr B has raised about the advice given by Lloyds - which relate to the affordability of the policies, sales pressure and information provided on indexation. I also acknowledge his points about Lloyds' regulatory obligations when selling these policies. I've taken the relevant obligations into account when reaching my decision – including the requirements placed upon Lloyds to give suitable advice and provide clear information to allow clients to make an informed decision about the products it recommends.

#### *Affordability*

Mr B has argued that M's financial position at the time of advice was significantly different to that recorded in the point-of-sale evidence. He says M was in serious financial distress and approaching insolvency in the months before the sale of the policies. He also says the suitability report presents out-of-date and unrealistically favourable information about M's financial position and contains factual inaccuracies. He says the financials detailed from the March 2008 accounts provide an inaccurate position as M had a period of dormancy late 2008 to early 2009. He also says, due to the existing banking relationship with Lloyds, it had awareness M was in distress and at risk of insolvency. Mr B has provided evidence to support the points he makes. This includes updated accounts and email evidence showing that he contacted Lloyds to discuss a challenge M was facing around the time the policies came into force and also an email about covering payments on a personal overdraft.

Lloyds maintains the suitability report is an accurate record of the discussion held at the time of advice, and the information was agreed with Mr B that it accurately reflected M's financial circumstances and that the business could afford the course of action agreed upon. It also says its business banking managers confirm M had an approved overdraft in place, and the

account history shows that the company did not receive a regular income stream but instead relied on irregular larger payments and made use of the agreed overdraft facility. It doesn't agree the policies caused the account to become overdrawn.

I've considered the further submissions made on this point. But they haven't led me to reach a different finding on the affordability considerations of the advice provided by Lloyds to M. The point-of-sale documents (including the fact finds and suitability reports) are contemporaneous evidence of the advice process, so I do think they carry weight in terms of understanding the circumstances of the advice.

Mr B has questioned the accuracy of the information recorded in the sales documents. The financial information in these documents shows the details for the last published accounts (for year end March 2018). As the advice was provided in July 2009, these are past financial indicators for M. Mr B has now provided the next set of accounts for the following tax year ending March 2009. It appears from this evidence that these accounts weren't approved by the board until January 2020, so not something that would have been available at the time of advice. I accept the financial information detailed in the sales documents doesn't provide the most up to date financial position for M, but I do find it is still relevant to the suitability of the advice and documents the financial stability of M in the recent past, supporting its ability to afford the premiums. It provides information from the most up to date signed off accounts, so I don't think it can be dismissed completely or seen as inaccurate.

The information in the 2009 accounts does show a worsening financial position year on year for M. I also acknowledge, as M's business bankers, Lloyds is likely to have information to understand the financial performance in the current year. But I also note the information provided by Lloyds to explain that the company did not receive a regular income stream but instead relied on irregular larger payments and made use of the agreed overdraft facility. This appears to be supported by the email evidence provided by Mr B indicating that M relies on clients paying lump sums for contracted work on time. Indeed, the October 2009 email from Mr B to Lloyds describes cash flow concerns for M due to an issue relating to a specific client agreement.

Mr B has suggested the appropriate course of action (in October 2019) should have been for Lloyds to postpone the start of the policies and to wait until cash flow conditions had improved. I don't agree, the policies were taken out to cover a need for protection (particularly relevant for M was the Key Person policy). If a claim event occurred during this period, this would have been valuable cover for the need identified in the advice process. In the event M's financial position worsened the policies could be lapsed if M was no longer able to trade due to insolvency. The concerns around the solvency of the business appears to relate to trading conditions and specific contract disputes as opposed to the affordability of the policy premiums on an ongoing basis.

While I accept M was experiencing financial pressures at the time of advice, I'm not persuaded the evidence is sufficient to say the advice provided originally to take out the policies was unsuitable. The affordability of the premiums on an ongoing basis is a factor in the suitability of the advice. But I've not found that M's position prevented it from committing to the employee benefits it wanted to provide for Mr B as its director. It is also worth noting despite the trading conditions at the time the policies started, the premiums were maintained. And the fact the indexation increases were accepted for many years (when they could have been declined), doesn't support a conclusion that the policies were clearly unaffordable at the time of sale. While I make this point with the benefit of hindsight, if the premiums were unaffordable on an ongoing basis, in my view it is likely this would have been apparent soon after commencement. I also acknowledge, as part of the same advice process, M was also considering a separate monthly pension contribution for Mr B. All in all, this doesn't indicate that M's financial position at the time was so precarious that it was

unable to afford the financial commitment of the employee benefits that were advised by Lloyds.

### *Indexation*

I've considered Mr B's comments about how the indexation benefit was explained as part of the sales process. For clarity, I've not looked at whether the annual increases year on year have been calculated correctly. Mr B has raised concerns about the full extent of the impact of the indexation of the policies being hidden, and described inconsistently, opaquely and confusingly.

The suitability report states the cost of index linked cover will increase each year based on a number of factors including the Retail Price Index (RPI) – which is a common measure of inflation. It says Mr B was provided with a copy of the KFD relevant for the policies too. The policy schedule also confirms the benefit amount, and premium will increase yearly to help keep pace with inflation.

I've looked at the KFD applicable to these policies. This does detail that the increasing benefit (indexation) works by the cover increasing in line with the RPI. But it also explains that the premium will increase in a different way. It says this will increase at a higher rate and refers to the policy particulars. The relevant section in this document confirms the premium will increase by a "premium increase percentage" by multiplying the percentage increase in the cover amount by 1.35. So, this does mean the premium will increase by a higher percentage amount than the cover. I also note the KFD does explain that the indexation can be declined, and if declined two years in a row the increase will stop.

While, Mr B says the information provided was confusing, I haven't found the information given to him about the indexation benefit was unclear or misleading. The information in the suitability report and schedule is brief, but I don't find it to be confusing or misleading. The full details of the benefit are provided in the KFD and product particulars. So, I haven't found that Lloyds has failed to provide clear, fair and not misleading information on the indexation benefit, as it is required to.

### *Pressure*

Mr B has raised further concerns about being forced to take the protection policies or M's business banking services would be withdrawn by Lloyds, so was left with practically zero choice in the matter. Lloyds doesn't accept the policies were used as a condition of lending or for other commitments.

I haven't seen evidence to support that conditions were placed upon M in the advice process. The sales documentation does not support this was the case, and as explained in my provisional findings, Mr B did choose a premium level below the recommended amount of cover for the Key Person protection. I haven't found reason to alter my findings on this point, so it follows I don't think M was prevented from making a choice about whether to accept the recommendations.

### *Summary*

For the reasons given in my provisional decision, and those above, I haven't found Lloyds has made errors when recommending M takes out these two protection policies. They were taken out predominantly to provide CIC cover for its employee Mr B. While the life cover that was included wasn't a significant need, this didn't incur any additional premium cost. I appreciate this will come as a disappointment to Mr B, but overall, I find the advice given by Lloyds was suitable for M's needs and circumstances at the time.

## **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 December 2025.

Daniel Little  
**Ombudsman**