complaint

This complaint is about a payment protection insurance (PPI) policy taken out in January 2004 in connection with a credit card. Mr R's representative says that Lloyds TSB Bank Plc (Lloyds TSB) mis-sold the policy because he was not aware that he was consenting to the policy, believing it to have been added automatically; he was not made aware of the terms and conditions and costs of the policy; and Lloyds TSB did not check whether the policy was suitable for Mr R and whether he had any alternative cover.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The questions I need to consider in a case like this are:

- whether Lloyds TSB gave Mr R information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying;

- whether, in giving any advice or recommendation, Lloyds TSB took adequate steps to ensure that the product it recommended was suitable for his needs.

If there were shortcomings in the way in which Lloyds TSB sold the policy, I then need to consider whether Mr R is worse off as a result; that is, would he have done something different - ie not taken out the policy - if there had not been any shortcomings.

Both Mr R and Lloyds TSB have confirmed that the policy was purchased using a postal application. I have been provided with a copy of the application form/credit agreement, which appears to be consistent with a postal sale process. Consequently, I am satisfied that Lloyds TSB did not provide Mr R with a personal recommendation to purchase the PPI policy. Mr R completed the application form and returned it to Lloyds TSB without any involvement from the bank. Therefore, Lloyds TSB did not have to take reasonable steps to ensure the policy was suitable for Mr R's needs and circumstances. That was essentially a decision that Mr R had to make for himself.

I have therefore gone on to consider whether Lloyds TSB provided sufficient information to Mr R so that he could make an informed choice, and if not, whether this is likely to have affected his decision to take out the policy.

The credit card application form which Mr R completed introduced PPI in a section titled '*Select your additional benefits*'. Within part of this section was a sub-heading '*Payment Protection Cover (one box must be ticked)*', which presented customers with the option to tick '*Yes*' or '*No*' to accept or decline PPI. The two boxes were given equal prominence. Mr R ticked the '*Yes*' box. I do not consider the wording on this section to have reasonably implied anything other than by ticking '*Yes*' a customer was in agreement to purchase a form of protection for his credit card repayments, despite what has been suggested by Mr R's representatives. On balance I am satisfied that the optional nature of the policy ought to have been reasonably clear and that when presented with the option, Mr R consented to the inclusion of PPI on his credit card account.

At the time of his application, Mr R met the eligibility criteria as described within the terms of the policy, in terms of age, residency in the United Kingdom and employment status. He has also told us he was in good health and working in permanent, full time employment and therefore would not have been caught by any of the significant limitations or exclusions within the policy, such as those relating to health or employment, that could limit the potential value of the policy should Mr R have attempted to claim.

Mr R has told us that he cannot remember what his employee sickness benefits were at the time he purchased the PPI. In addition he has said that he had no other provisions in place, such as savings or insurance, with which to meet any of his liabilities, had he been unable to work due to accident or sickness, or been made redundant. Mr R's application form also indicates that he was looking to complete a 'balance transfer' when taking out the new credit card.

This policy paid out a benefit of 5% of his monthly outstanding balance for 11 months in the event of accident, sickness or unemployment and would have cleared Mr R's balance in the 12^{th} month, had Mr R's claim lasted for 12 months. In the unfortunate event of Mr R's death it would have paid off his credit card balance in full. Whilst Lloyds TSB cannot confirm the exact cost of the policy when it was purchased, it has said that this would have been between 59p and 79p for every £100 of the outstanding card balance. Whilst I accept the information provided by Lloyds TSB at the time of sale may have not been clear, fair and not misleading, I am not persuaded that Mr R would have acted any differently had the information been made clearer.

Based upon my experience, the monthly cost of the PPI would have been set out on Mr R's credit card statements. Had this been disagreeable to him, he could have cancelled the cover at any time without penalty, given that this was a monthly premium policy.

I do not consider that Lloyds TSB made it clear that premiums would have to have been paid during any successful claim period, and as a consequence the actual benefit received reduced. Nor did it explain that the premiums would also accrue interest. However, on balance, even though the benefit provided was only 5%, in the light of Mr R's circumstances - that he had limited other means, as well as the purpose for taking out the credit card – I consider that had the costs and benefits been made clearer he would still have proceeded to purchase the policy.

In conclusion, I am satisfied that Lloyds TSB made Mr R aware that PPI was optional and that he consented to the purchase of the cover. Although I am not satisfied that it clearly and accurately explained the policy's exclusions, limitations and costs to him, I am not persuaded that Mr R suffered any detriment, as I consider it unlikely that he would not have elected to purchase the policy even if he had been properly informed.

my final decision

For the reasons given above, my final decision is that I do not uphold this complaint, and I make no aware against Lloyds TSB Bank Plc.

Andrew Macnamara
ombudsman