

complaint

Mr F says Lloyds TSB Bank Plc mis-sold him a payment protection insurance (“PPI”) policy.

background

This complaint is about a credit card PPI policy taken out in 2000. The policy was added to Mr F’s credit card account when he applied for the card in person at the bank.

I set out the background to this complaint and my initial conclusions in my provisional decision of June 2014. I explained I was minded to uphold Mr F’s complaint and make an award against Lloyds TSB.

In summary, my provisional view was that:

- Lloyds TSB advised Mr F to take out the policy, so it had to make sure the policy it recommended was suitable for Mr F’s needs.
- On the credit card application form that Mr F signed, the box was ticked to say that he’d been employed for four years. And the section of the form asking for the employer’s name and address was filled in. But Mr F had now provided evidence that showed he was self-employed at the time. And it appeared that the bank’s records should have shown what his employment circumstances were because Mr F had previously applied for a mortgage there.
- It wasn’t clear why Mr F’s employment details were recorded incorrectly. But given his previous relationship with Lloyds TSB, I thought it was unlikely he would have provided the incorrect information if he had been asked a clear question.
- For Mr F to be able to claim unemployment benefits from the policy he would have needed to cease trading because of the insolvency of his business and he would have needed to inform the Inland Revenue that was the case.

I felt Mr F would have found it significantly more difficult to claim unemployment benefits from the policy than an employed person. The significant benefits and limitations of the policy, including the terms under which a self-employed person could claim unemployment benefits, ought to have been made clear to Mr F before he decided to take out the policy.

- On the basis of the evidence I’d seen, I wasn’t persuaded that the significant features and limitations of the policy were made clear to Mr F. It appeared that the bank dealt with his application on the basis that he was employed, so it’s unlikely that the terms relating to self-employed people would have been highlighted.
- If the unemployment terms for self-employed people had been made clear to Mr F, I thought it unlikely that he would have been willing to take out the policy, knowing that he didn’t have to take it out in order for his credit card application to be approved. And that he would be paying for some benefits for which he was unlikely to be able to claim.

Subject to any further representations I received, my view overall was that Lloyds TSB had failed properly to consider whether the policy was suitable for Mr F, it had not informed Mr F properly and he had been disadvantaged as a result of the bank's shortcomings. I thought it likely that Mr F would not have agreed to take out the PPI if he had been properly advised and informed.

After reading my provisional decision, Mr F confirmed he had no further representations to make. Lloyds TSB confirmed it was now prepared to uphold Mr F's complaint without admission of liability, and it would not be sending any further information.

my findings

As neither party has provided any further information to alter my opinion of this complaint, I see no reason to depart from my provisional findings. I therefore uphold this complaint.

fair compensation

Mr F should be placed back in the position he would have been in had the PPI policy not been sold.

I understand that the credit card account is still open but the PPI policy has been cancelled.

So Lloyds TSB should:

- A. Carry out a hypothetical reconstruction of the credit card account to find out what the current balance of the credit card account would have been if Mr F had paid the same monthly payments, but the PPI policy had *not* been added to it.

This will involve Lloyds TSB removing the PPI premiums, any interest that was charged on the premiums and any charges (and interest on those charges) that would not have applied if the PPI had not been added to the account.

Lloyds TSB should then pay Mr F the difference between the current balance and what the current balance would have been without PPI.

- B. Pay Mr F interest at 8% per year simple[†] on any credit balance for any periods when the reconstructed account would have been in credit for the period it would have been in credit.
- C. Set out in writing to Mr F how it has calculated the compensation in A and B.

[†] I understand Lloyds TSB is required to deduct basic rate tax from this part of the compensation. Whether Mr F needs to take any further action will depend on his financial circumstances. More information about the tax position can be found on our website.

Mr F should refer back to Lloyds TSB if he is unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

my decision

For the reasons I have explained, my decision is that I uphold this complaint. I direct

Lloyds TSB Bank Plc to pay Mr F compensation in accordance with the calculation of redress set out above.

Susan Webb
ombudsman