summary of complaint

This complaint is about a regular (monthly) premium mortgage payment protection insurance (MPPI) policy taken out in 2005. Mr A and Miss B believe that Lloyds TSB Bank Plc mis-sold them the policy.

I note that in their initial submission to this Service Mr A and Miss B also mentioned a PPI policy associated with a loan taken out in 2005. It is my understanding that Mr A and Miss B have settled this complaint and therefore this decision is focused solely on the MPPI policy mentioned above.

my findings

I have carefully considered all of the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances. I have also taken into account the law, any relevant regulatory rules and good industry practice at the time the policy was sold. In essence, the questions I need to consider are whether:

- Lloyds TSB gave Mr A and Miss B information that was clear, fair and not misleading in order to put them in a position where they could make an informed choice about the insurance they were buying; and whether

- If any advice or recommendation was given, the product was suitable for Mr A and Miss B's needs, or if it was not suitable Lloyds TSB pointed this out to them.

If I conclude that there were shortcomings in either of the above, this will not necessarily result in me finding in favour of Mr A and Miss B. Instead I will consider whether Mr A and Miss B more likely than not acted differently as a result, i.e. whether *but for* failings on the part of Lloyds TSB they would not have taken out the insurance.

Mr A and Miss B claim that it was not made clear to them at the point of sale that MPPI was optional and that, had they known, they would not have purchased the policy. It appears the sale took place through a face-to-face meeting and there are no recordings of the conversation. As such, it is not possible to confirm precisely what was said during the course of the sale.

However, Lloyds TSB has provided documentary evidence from the point of sale which appears to highlight the optional nature of the policy. Section 9 of the Mortgage Offer form, headed "Insurance", clearly lists PPI under the sub-heading "Optional Insurance" and adds "You are not obliged to take this cover…" Mr A and Miss B have both signed this document. I also note that Mr A and Miss B completed a separate application form for the MPPI, which might have suggested to them that it was not an integral part of the mortgage application, but rather a separate contract.

Weighing everything up, I am unable to safely conclude that Mr A and Miss B were not aware of the optional nature of the policy at the point of sale or that Lloyds TSB failed to gain their consent before adding the policy to their account. Instead, I find it more likely than not that Mr A and Miss B have understandably mis-remembered the way the policy was presented to them, given the time that has elapsed since the sale took place.

Lloyds TSB has told us that this was an advised sale, although some of the available written evidence appears to suggest it may have been an information only sale. However, for the purpose of this decision I have assumed that advice was given and so have applied the higher test of whether the policy was suitable for Mr A and Miss B's needs. In this case I am persuaded that it was. I say this because:

- The MPPI policy covered Mr A and Miss B in the event that either of them was unable to work due to accident, sickness or unemployment. Mr A has told us that at the time of the sale he was employed as a telecommunications engineer and was entitled to work benefits of six months' full pay followed by six months' half pay if he was unable to work due to accident or sickness. Miss B has told us that she was employed as an assembly worker and would have had to rely on statutory sick pay in the event she was unable to work due to accident or sickness. Mr A has told us that he had a life cover policy in place at the time of sale and also had some savings in an ISA, although he has been unable to confirm the value of these savings. However, it appears that Mr A and Miss B did not have any other insurance or alternative means of meeting their mortgage repayments in the event that they could not work due to sickness, accident or unemployment, and so it seems they had a need for the cover.

- It appears that the policy cost £21.15 per month. The total potential monthly benefit was equal to 100% of the mortgage payment, and it was split so that a successful claim from Mr A would have led to a payment of 70% of this total, whereas a successful claim from Miss B would have been worth 30%. It appears the policy would have paid out a benefit for up to 12 months for any one period of claim. I am not persuaded that this was unaffordable for Mr A and Miss B, or that the premium (in the light of the potential benefits) was unsuitable for them.

- Mr A and Miss B were eligible for the insurance and do not appear to have been subject to any exclusions or significant limitations under the policy terms.

- Mr A and Miss B have claimed that Lloyds TSB failed to discuss alternative insurance policies from other providers. However, Lloyds TSB was under no obligation to provide information about policies it was unable to sell. In making an advised sale, Lloyds TSB was obliged only to recommend a product that was suitable for Mr A and Miss B's needs.

- Given Mr A and Miss B's circumstances at the time of sale (as outlined above), I am persuaded that this policy would have provided a valuable benefit and was a suitable recommendation for them.

For much the same reasons as stated above, even if Lloyds TSB did not fully meet Mr A and Miss B's information needs, I am not persuaded that they suffered any detriment as a result. I say this because I do not consider that any of the important information about the PPI that they might not have known would have deterred them from taking it out. Therefore, I have not reached a finding on whether or not Mr A and Miss B's information needs were met, as it is not crucial to the outcome of this case.

Overall, I conclude that whether or not Lloyds TSB met its obligations to provide Mr A and Miss B with information that was fair, clear and not misleading, Mr A and Miss B have suffered no detriment as a result. I also find that the product Lloyds TSB recommended was suitable for Mr A and Miss B's needs. It follows that I do not find that the policy was mis-sold.

my decision

For the reasons set out above I do not uphold this complaint. I make no award against Lloyds TSB.

Clair Bantin
Ombudsman