

complaint

Ms M complains that Lloyds Bank Plc mis-sold her two payment protection insurance (PPI) policies. Lloyds Bank Plc was trading as TSB at the time but I will refer to it as Lloyds in this decision.

background

Ms M applied for two cards on the same application form in 1996. Lloyds has sent me a copy of it. I can see that this was the case from the form and the card numbers allocated are stamped into the top right hand corner of that form. Lloyds has told me that one card ending *3510 (and the replacement cards following on from that) was subject to one policy which I will refer to as Policy 1. The other card ending *2543 had a different policy which I will call Policy 2.

Our adjudicator looked at this for Policy 1 and thought that this should not be upheld. Later he wrote to Ms M's representative about Policy 2 and had the same view for that one.

Ms M did not agree and so the complaint has been passed to me to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Ms M's case.

I've decided the policies were not mis-sold for a number of reasons which I set out here.

I think Lloyds made it clear that Ms M didn't have to take the PPI and she chose to take it out. Lloyds has sent me a copy of the card application form signed by Ms M in August 1996. In the section headed '*TSB Credit Card Payments Insurance*' there was a summary of the cost of the policy at '*71p per £100*' and an explanation that the PPI would cover '*10% of your outstanding balance if you can't work through illness, injury or unemployment...*'

It went on to say '*Tick here if you would like to be covered...*' and the box next to that paragraph was ticked. Ms M has signed the application form.

Ms M told us and Lloyds that she can't remember much about the sale but she didn't think that she was told about the costs or the terms. But Ms M signed the form and ticked the box and so I think she did choose it and consent to it – although I understand she can't recall much about it now.

Lloyds thinks that the sale should be assessed as a sale where Ms M received advice at a branch. It says this as it cannot be sure of the way that the PPI was sold. In fairness to Ms M I have assessed this complaint on the basis that it was recommended to her in a meeting because holding Lloyds to that higher standard potentially benefits Ms M.

So Lloyds had to check that the PPI was right for Ms M – and based on what I've seen of her circumstances at the time, I think that it was. For example she wasn't affected by any of the

exclusions to, or limits on, the PPI cover. So I think it would have been of use to her if she had found herself out of work or not able to work.

I have taken into account Ms M's point that she was in a secure job and would have received sick pay of six months' worth of full pay if she had found herself in that situation. She has said that she felt she would have been able to cover the credit card repayments. But these policies would have paid out for up to 12 months which would have been longer than the period for which she may have received the employee benefits. They included life cover during the insurance period as well.

It's possible the information Lloyds gave Ms M about the PPI wasn't as clear as it should have been. But Ms M chose to take it out - so it looks like she wanted this type of cover. And it seems like the PPI would have been useful for her if something went wrong. It also looks like it was affordable. So I don't think better information about the PPI would have put her off taking out the cover.

Which means Lloyds doesn't have to pay back all of the cost of the PPI to Ms M. But Lloyds will pay back *some* of the cost of the PPI on Policy 1 to Ms M because:

- when that policy was sold, Lloyds expected to get a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Ms M about that. Because Lloyds didn't tell Ms M that was unfair.
- to put that right, Lloyds has basically offered to pay back the amount of commission and profit share that was above 50% of the PPI premium - and I think that offer is fair in this case.

what the business needs to do

Lloyds Bank PLC has to pay back to Ms M any commission and profit share it got that was more than 50% of the PPI premium. Lloyds Bank PLC should also pay back to Ms M any extra interest she paid because of that.

Lloyds Bank PLC should re-work the credit card account and pay back to Ms M the difference between what she owes and what she would have owed if the commission and profit share it got hadn't been over 50% of the cost of the PPI. Lloyds Bank PLC should also pay Ms M 8%* simple interest if Ms M paid off her credit card at some point.

*Businesses have to take basic rate tax off this interest. Ms M can claim back the tax if she does not pay tax.

my final decision

The PPI policies were not mis-sold – so Lloyds Bank Plc does not have to pay back all of the cost of the PPI to Ms M.

But Lloyds Bank Plc does have to pay back to Ms M in respect of Policy 1 any commission and profit share it got that was more than 50% of the PPI premium.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms M to accept or reject my decision before 3 May 2018.

Rachael Williams
ombudsman