

## **complaint**

Miss J and Mr S complained about mis-sold payment protection insurance (PPI) policies sold to them with a number of loans by Lloyds Bank PLC (Lloyds). Lloyds agreed to settle the complaints but Miss J and Mr S were not happy with the compensation offered.

## **background**

Miss J and Mr S took out a number of loans with Lloyds over a period of years. Some loans were taken out by them individually and one jointly. With some of the loans PPI was sold.

After the complaint was brought to this service Lloyds agreed to settle the complaint but Miss J and Mr S were unhappy with the compensation Lloyds offered.

Because not all the loans were taken out in the same names consistently Lloyds didn't identify any chain or link between the loans. During the investigation of this complaint it was suggested there may have been links and more loans than at first thought.

Mr S was joined as a party after Miss J had already brought her complaint about two loans with PPI, as there were loans he took out which it was suggested may have refinanced Miss J's loans. Also one loan was taken out in joint names.

I issued a provisional decision in January 2016 which is attached and forms part of this final decision. This sets out in more detail the background to this complaint.

Lloyds has said it has received my provisional decisions but has provided no additional information or comment.

Miss J and Mr S have responded to my provisional decision and set out why they are still unhappy with the compensation being offered. They are represented by a third party.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. As Lloyds has offered to settle the complaints I'm not looking at how the PPI came to be sold to Miss J and Mr S. I'm only looking at the compensation offered to decide if this is fair.

I think Lloyds has worked out fair compensation to refund everything Miss J and Mr S paid for all their PPI policies that were brought under this complaint. If Miss J and Mr S have any concerns about other loans, as I mentioned in my provisional decision, these would need to be taken up with Lloyds first.

I've also looked carefully about what Miss J and Mr S have said in response to my provisional decision about the costs of their third party representative and the way Lloyds has dealt with their complaints. I covered all these issues in my provisional decision and there is nothing new that has been put forward to make me change my mind about what I said in that provisional decision.

So I'm confirming the findings I made in my provisional decision so what Lloyds has done to work out the costs of the PPI for Miss J and Mr S is fair.

I think £150 is fair compensation for the sending of the cheque to the wrong address twice. But I also think that a further amount of £200 should be paid for the delays and errors caused by the way Lloyds has dealt with this complaint. This makes a total of £350.

**my final decision**

For the reasons I've set out I'm satisfied that Lloyds Bank PLC has now paid a fair amount to refund to Miss J and Mr S the costs of the PPI policies they were mis-sold.

If not already paid, I am directing Lloyds Bank PLC to pay £350 in total for the distress and inconvenience caused in the way it has handled this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J and Mr S to accept or reject my decision before 1 April 2016.

Christine Fraser  
**ombudsman**

## **copy of provisional decision**

### **complaint**

Miss J and Mr S are unhappy with the compensation Lloyds Bank PLC (Lloyds) has offered to settle their complaints about mis-sold payment protection insurance (PPI) policies sold to them with some loans.

### **background**

Miss J and Mr S are represented by a third party.

Originally only Miss J instructed the third party, who in 2012 raised a complaint with Lloyds about two PPI policies sold with loans in 2006 and 2008 to Miss J. The loans ran side by side for a couple of months in 2008 so didn't refinance each other.

Lloyds at first said the PPI hadn't been mis-sold and Miss J brought the complaints to this service. Our adjudicator upheld the complaints and Lloyds made an offer to settle both PPI complaints. Cheques were sent to Miss J but to the wrong address twice. So Miss J wanted some compensation for the delay caused. Lloyds offered £150.00 but Ms J said this wasn't enough. She asked for an ombudsman to look at the amount that should be paid for the trouble and upset caused.

Miss J's representative then said that the two loans may have been refinanced by another loan and Lloyds were asked to confirm if there were any other loans Miss J had taken out with PPI. Lloyds said Miss J had taken out another loan in October 2008 which also had PPI attached.

After a number of further enquiries it seemed that Miss J repaid some or parts of the loans by money provided by Mr S who had taken out loans from Lloyds also. There were also some later loans taken out in joint names.

Mr S was offered compensation by Lloyds in 2015 for two loans it said he had taken out PPI with. Mr S had complained separately to Lloyds about the mis-sale of his PPI.

Miss J and Mr S now say their loans refinanced each other's loans although they've been looked at separately by Lloyds. In 2015 Mr S signed a joint complaint form with Miss J and they asked that their chain of loans be looked at again by Lloyds so that the correct compensation was worked out for the PPI mis-sales.

Lloyds has offered compensation for the PPI mis-sales to both Miss J and Mr S individually and feels its offers made to each of them were in line with the approach of this service. It also offered £150.00 for the trouble and upset caused to Miss J when the cheques were sent to the wrong address.

Miss J and Mr S are very unhappy with the way Lloyds has dealt with their complaints and have asked that a substantial amount of additional compensation be paid for the trouble and upset caused.

It has also recently been found Miss J took out a loan in April 2009 that hadn't been identified earlier by Lloyds.

Since the adjudicator's view was issued, a number of other issues and loans have been identified. So I'm issuing this provisional decision to bring together the full information we have about this complaint and to outline what I'm intending to decide in relation to the complaints brought to this service.

### **my provisional 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 Miss J and Mr S' case.

This case originally came to us through a third party CMC on behalf of Miss J. It involved a complaint about two loans that Miss J took out with PPI. But during the course of the investigation it seemed there may have been other loans which formed a chain or refinancing. Some of these were taken out by Miss J alone; some by her partner Mr S alone; and some jointly.

I've at the end of this decision as Appendix 1 included a table showing some basic information about each of the loans. I shall refer to the loans as Loan 1, 2 etc as indicated in the table, this being based on the date each loan started.

In this decision I'm not looking at the issues surrounding the reasons why the policies were mis-sold with any of the loans. Lloyds has agreed to settle the complaints about the mis-sale of the PPI. I'm only looking at if the complaints should be considered as a part of a chain of loans. And, if so, how the compensation for the mis-sale of the loans taken out by Miss J would have been different if considered as part of such a chain.

I shall also look at how Lloyds has dealt with the complaint and if any further compensation should be given to Miss J and Mr S for the trouble and upset caused.

#### Miss J's loans 1846 (1) and 4724 (2)

Miss J, through her third party, originally only complained to Lloyds about PPI sold with two loans. Loan 1, taken out on 23 May 2006 and Loan 2 taken out on 28 March 2008. Loan 1 was settled on 22 May 2008, some two months after she took out Loan 2.

I can see from the account notes sent by Lloyds that when taking out Loan 2 Miss J said she didn't want to refinance Loan 1 as this only had around 12 months left and was at a low interest rate. So loan 2 didn't refinance Loan 1.

When Lloyds agreed to settle these complaints it offered to refund to Miss J what it said was the total amount Miss J paid for the PPI plus 8% simple interest from the date she settled each loan.

When a loan is settled early the PPI is cancelled and a small refund is given, but not a proportionate one. So when Miss J paid off her loans, by whatever means, a small amount of premium was included in the settlement figure. If Loan 2 had directly refinanced loan 1 then Miss J would have borrowed a bit extra to cover the cost of the premium from the first loan that went into the second.

Where a customer refinances loans with the same business, we would normally expect the business to build a calculation across any chain. This can reflect more accurately how the PPI costs were paid and how any compensatory interest should be worked out. In this case, as it seemed Miss J didn't refinance in this way, Lloyds treated each loan as a standalone. So it offered to refund the total costs paid by Miss J for the PPI for each loan plus 8% simple compensatory interest from the date of settlement of each loan.

This is also the approach we expect a business to take when a customer borrows money from another business to refinance a loan. This is so the business can try to put the customer as far as practical back in the position they would have been if they hadn't bought the PPI. It isn't practical to trace where every payment for the loan came from, either during the course of the repayments or on settlement. So when considering PPI compensation and a customer doesn't refinance a loan directly with the same business an end has to be drawn.

We expect a business to give 8% simple compensatory interest for being out of pocket from the time an amount is paid for the PPI. So from the date of settlement of a loan including PPI a customer gets 8% simple on the total amounts paid for the PPI. But if there is a chain the customer isn't out of pocket so doesn't get 8% simple from this date of settlement. The transfer of the portion of the PPI into the new loan is then calculated as part of that loan. The customer is only out of pocket as each repayment is made by the amount of PPI in the repayment.

In this particular case it's now being put forward that Mr S borrowed money that paid off part or all of Miss J's loans 1 and 2. It isn't clear that his sole purpose was to pay off the other loans for Miss J when he took out his loan. And the dates the loans were settled alongside the date the loan was taken out don't indicate this was the case. But he may have paid off some or all of Miss J's loans and so borrowed more than he needed to as when he settled these loans there would have been a small amount of PPI in the settlement figures.

I can see that Mr S took out a loan on 16 May 2008 for £12,000.00. Miss J's Loan 1 was settled fully on 22 May 2008 and loan 2 in part in May 2008 and then the balance was paid on 26 July 2008.

Looking at the information sent in it's quite possible that Mr S did pay towards the settlement figures. But this was by loans taken out in his name alone. Also the PPI he took out on this loan was in his name. So the calculations for PPI for this loan, if taken as a chain, would mean working out the costs of Mr S' PPI and separately working out the cost of Miss J's small carry forward of PPI.

Miss J didn't pay any extra interest on the PPI that was carried forward to Mr S' loan. Mr S paid that and I can't fairly give him compensation for a PPI policy taken out by Miss J and Miss J didn't pay anything more after her loan was settled.

So I think it's fair to look at the loans Miss J had as standalone loans. This means on repayment she's getting 8% simple to compensate her for being out of pocket, even though the money used to repay the loan may have been borrowed and so she wasn't actually out of pocket from the date of settlement.

Overall I think she's getting back fair compensation to refund the full costs she paid and compensatory interest for a slightly longer period than she may have been out of pocket. I accept the loans Miss J had with PPI may have been settled by some other borrowings from Lloyds, but I've to take a practical approach to this particular complaint.

I can't see it's appropriate or practical in the circumstances of this case to trace repayments of the carried forward small portion of the PPI into a separate loan taken out by a different person.

I've looked at the offers and calculations done by Lloyds for loans 1846 and 4724 and they are in line with what I would expect. These refund the actual costs paid by Miss J in full for the PPI and compensatory interest.

*Miss J's loan 3536 (4)*

After the offers had been made on the original complaint about loans 1 and 2 Miss J's representative said there was another loan Miss J had taken out with PPI in October 2008. This was for an amount of £1,500.00 which the account notes suggest was for a property deposit. On the spreadsheet annex I've attached this is shown as Loan 4

When the mis-sale of PPI with this loan was raised by Miss J, Lloyds said it had already dealt with this complaint. I've seen an offer letter from August 2011 and Lloyds says Miss J accepted and was paid, so the complaint was closed. This was before Miss J instructed her representative.

I can't see that this loan affected the earlier loans or was part of a chain that needs recalculating. It seems it ran for the full 24 months it was taken out for. I've seen nothing to show it was taken out and used by Miss J to refinance another loan, nor was it refinanced by another loan taken out by Miss J.

So I'm not considering anything more about any PPI sold with this loan in 2008, as it seems to me it was a standalone and the complaint was settled by Lloyds and Miss J accepted the settlement.

*Mr S' loans 7821(3), 8348(6) and 0831(7)*

From what I've seen Mr S took out three loans in his own name. These are on the annex as loans 3, 6 and 7 Lloyds said there was PPI sold with loans 3 and 6. I understand Mr S accepted Lloyds offer to settle his complaint about the PPI sold with these loans.

As I've already explained, some of the money Mr S borrowed may have been used to repay in full or part some of Miss J's loans and so may have included a small amount of PPI that she paid. But for the reasons I've already given I don't think these loans formed a clear chain in the normal way that I would expect Lloyds to work out the costs of any PPI carried forward from Miss J's loans.

So I'm not considering anything else about these loans.

*Joint Loan 2401(8)*

In March 2015 Miss J and Mr S took out a joint loan, loan 2401 (Loan 8). This loan had no PPI sold with it. This loan may have refinanced Mr S' loan 7 taken out in September 2011 and settled on 20 March 2015. In this case the dates are so close that a chain is suggested.

But this was a joint loan refinancing a loan only held by Mr S. Loan 7 didn't have any PPI sold with it. The last PPI policy Mr S took out was in June 2009 (loan 6) and this was a

regular premium policy. Lloyds has settled Mr S's complaint about the PPI sold with loan 6. For the reasons I've set out, I can't see that there can be a chain followed from any of Miss J's PPI policies through to this loan.

Miss J's loan 9813 (5) and additional loan 9107

Loan 5 has only very recently been identified by Lloyds. This is despite a number of requests during the course of this complaint for a full history of the loans taken out by Miss J both in her own right and jointly with Mr S. From the information I've seen this loan was taken out by Miss J.

This particular loan was taken out in 2009 and has only recently been settled. It's regrettable that this loan was not identified earlier. Lloyds say it was because it was on a different system connected to a partner business.

I understand PPI was requested with this loan but cancelled within one month of the application. So Miss J didn't pay anything for the PPI with this loan. And I can't see that this loan has any effect on Miss J's compensation calculation.

When Lloyds sent to this service some information about loan 9813, the screen information suggested there may also be an additional loan. We've asked Lloyds for some information about this loan also.

This was taken out in July 2011 and Lloyds' records show no PPI was sold with it. So I don't think it affects the complaint I'm looking at in this decision or the calculations to work out what Miss J and Mr S may be due to get back.

If Miss J has any concerns about PPI sold with loan 9813 or loan 9107 she would need to take these up with Lloyds first. I don't think these loans affect the calculations of compensation for the complaint Miss J has already brought to this service.

summary

For the reasons set out I don't think the sales of PPI with the loans in this particular case should be considered as a chain of loans. Miss J hasn't lost out in the amount of compensation she should get for the mis-sale of the PPI by not being able to trace the PPI through any refinancing.

I think by working out the compensation due to Miss J on the basis her loans were all standalone will, as far as possible, put her in the position she would've been in if she hadn't bought any PPI.

additional compensation

Lloyds has offered £150.00 for the error it made in sending the cheques for twice sending the compensation due to Miss J to the wrong address. Miss J wasn't happy that this was enough compensation for the trouble and upset this caused.

Miss J and Mr S are also not happy with the way their complaint has been dealt with by Lloyds. They've asked for substantial compensation and their representative fees paid.

I've looked at the full history of this case. I think the £150.00 for the trouble and upset caused by sending the cheques to the wrong address is fair.

I can see that the offer letters sent to Miss J didn't clearly set out the loans correctly in that Loan 1 was stated as the later loan. And there was only basic information about how the compensation had been worked out. But this doesn't affect the compensation due to Miss J.

Several requests have been made to Lloyds for information about all loans held by Miss J and then later Mr S and jointly. Lloyds hasn't clearly set out the full history of the loans. At one point it said Loan 4 of Miss J's didn't have PPI. In fact it did but a complaint about the mis-sale had already been finalised. So this may have confused the situation.

One problem has also been that as searches have been done in separate names for Miss J and Mr S it wasn't clear that there was necessarily a connection between the two. Both took out separate legal agreements for loans with Lloyds so these have been identified separately. There was no clear pattern of one party refinancing their loans and so the history has been put together in bits and pieces.

I'm also concerned that Lloyds didn't find the loans Miss J took out with a business partner of Lloyds until very recently. On the basis of what I'm at present intending to find these different loans haven't affected the compensation. But by not providing full information about the customers clearly it has delayed matters.

Miss J and Mr S have said that the costs of their representative should be paid. It isn't necessary to have a representative to bring a complaint to this service. It was Miss J and Mr S's decision to instruct a third party and any agreement for payment of the representatives' fees if between them. I don't think this case was so complex that it couldn't have been brought by the parties themselves if they had wanted to.

Whilst I think the original offer of £150.00 additional compensation was fair I do feel there have been delays in this case because Lloyds has not provided clear information when it was requested. So I don't think Lloyds has dealt with the complaint well and I'm intending to direct Lloyds to pay a further £200.00, making a total of £350.00 compensation for the trouble and upset caused to Miss J and Mr S.

### **my provisional decision**

For the reasons set out above, but subject to both parties' responses to this provisional decision, I'm intending to find that what Lloyds Bank PLC has done to compensate Miss J and Mr S is fair.

But I'm intending to award a total of £350.00 compensation for the trouble and upset caused in the way Lloyds Bank PLC has dealt with this complaint.

Due to time it's taken for the complaint to reach this stage I intend to issue my final decision soon after the deadline stated at the beginning of this decision for responses to be received.

Christine Fraser  
ombudsman

**APPENDIX 1**

Loan Number	Reference Number	Taken out by	loan amount	opened	closed	Loan Term	PPI
1	1846	Miss J	£6,000.00	23/05/2006	22/05/2008	34 months	Single Premium
2	4724	Miss J	£4,500.00	28/03/2008	26/07/2008	84 month	Single Premium
3	7821	Mr S	£12,000.00	16/05/2008	07/04/2009	60 months	Single Premium
4	3536	Miss J	£1,500.00	27/10/2008	15/12/2010	24 months	Single Premium
5	9813	Miss J	£13,238.00	03/04/2009	21/03/2015	96 months	No PPI
6	8348	Mr S	£6,000.00	05/06/2009	22/09/2011		Regular Premium
7	9107	Miss J	£2,500.00	18/07/2011	20/03/2015	84 months	No PPI
8	0831	Mr S	£6,504.88	21/09/2011	20/03/2015	59 months	No PPI
9	2401	Joint	£25,000.00	19/03/2015	open	72 months	No PPI