

complaint

This complaint is about a single premium payment protection insurance (“PPI”) policy taken out in 2007 with a personal loan. Mrs H says Lloyds Bank PLC, trading TSB (“Lloyds”) mis-sold her the PPI.

my findings

I’ve considered all the available evidence and arguments to decide what is 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 Mrs H’s case.

I’ve decided the policy wasn’t mis-sold because:

- Mrs H told us that at the time she couldn’t get a loan without PPI and there was no option. Lloyds has been able to send me a copy of the signed loan agreement. On this, I can see there was a separate section about PPI. Mrs H had the option of ticking a box to show she wanted to buy the PPI and then signing underneath it to confirm her decision. I think it was clear what Mrs H was agreeing to and, I think it was also clear she could have left the box blank to decline the PPI. Overall, I think Lloyds made it clear that Mrs H didn’t have to take out the PPI and she chose to take it out. I haven’t seen anything that makes me think the policy was mandatory to get the loan.
- Lloyds recommended the PPI to Mrs H so it had to check that the PPI was right for her – 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 and she seems to have had a need for the cover.

Mrs H has told us she was in full time education at the time of sale and also working part-time. Having read the policy terms, I haven’t seen anything that made her ineligible for the policy or would have made it more difficult for her to make a successful claim.

- It’s possible the information Lloyds gave Mrs H about the PPI wasn’t as clear as it should’ve been. But she chose to take it out - so it looks like she wanted this type of cover. And it seems like it would have been useful for her if something went wrong.

The cost of the policy was shown – including the amount of the premium, the interest payable on the premium and the total cost. So I think Mrs H would have understood how much the PPI would cost if she kept the policy for its full term. It also looks like it was affordable at the time.

Mrs H would have got back only a limited refund of the PPI premium if she cancelled the policy early. I don’t know if Lloyds thought about this when it recommended the policy, or if it explained the situation clearly to Mrs H. But I haven’t seen anything to suggest she thought she’d repay the loan early. So I don’t think this meant the policy wasn’t right for her – or that better information about this would have stopped her buying it.

- Which means Lloyds doesn’t have to pay back all of the cost of the PPI to Mrs H.

But Lloyds will pay back *some* of the cost of the PPI to Mrs H because:

- When the 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 Mrs H about that. Because Lloyds didn't tell Mrs H, 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.

I've thought about everything Mrs H has said - including what she has said about losing her job in 2010 following an accident. She's said when speaking to Lloyds around this time no-one told her of how she could pay the loan back and so has questioned the purpose of the PPI. But this decision is about the sale of the policy taken out in 2007, so I haven't taken this point into consideration when coming to my decision. But if Mrs H would like to discuss this point further, then she can do so with Lloyds in the first instance. So, this point doesn't change my decision.

what the business needs to do

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

Lloyds should pay back to Mrs H the extra she paid each month on the loan because the commission and profit share was more than 50% of the PPI premium - including any extra Mrs H paid if the loan was paid off early. Lloyds should also pay Mrs H 8%* simple interest on the extra paid each month.

*Businesses have to take basic rate tax off this interest. Mrs H can claim back the tax if she doesn't pay tax.

my final decision

The PPI policy wasn't mis-sold – so Lloyds Bank PLC does not have to pay back all of the cost of the PPI to Mrs H.

But Lloyds Bank PLC does have to pay back to Mrs H 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'm required to ask Mrs H to accept or reject my decision before 23 June 2018.

Staci Rowland
ombudsman