

## **complaint**

Miss H says Lloyds Bank plc mis-sold her a payment protection insurance (PPI) policy.

## **background**

Miss H took out a TSB loan from Lloyds in 1997. At the same time she took out a PPI policy to protect her loan repayments; the cost was added to her loan. The PPI gave her accident, sickness and unemployment cover.

The adjudicator upheld the complaint saying Lloyds hadn't made it clear the policy was optional. Lloyds didn't respond so the complaint was passed to me to make a final decision

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete (as much of it is here), I've based my decision on the balance of probabilities – so, on what I think is most likely given the available evidence and what we know about how Lloyds sold PPI at the time.

Our general approach to complaints about the sale of PPI is on our website and I've followed it here.

I've decided to uphold Miss H's complaint. I'll explain why.

Lloyds had to make it clear to Miss H that the PPI was optional and Miss H had to agree to take it. The bank can't provide any of the paperwork from Miss H's sale, but that's not surprising or unreasonable as it was so long ago. Equally, Miss H hasn't been able to give many details about the sale – but she's told us she wasn't aware of the PPI and wasn't advised of the options surrounding it. Overall, this means I can't know how the PPI was presented to Miss H.

However, Lloyds has seen lots of cases like Miss H's, from people who bought PPI with this type of TSB loan at this time. In such cases it hasn't been able to provide us with any information to show how those policies were sold, such as the loan application forms or sales scripts.

However, on a number of cases we have seen the loan agreement for this type of TSB loan. These loan agreements are in the same or similar format and come from a sample of loans arranged throughout the 1990s. Lloyds has sent a sample agreement like this for Miss H's complaint. It, like all of these agreements, is pre-printed with words to indicate the person has already chosen PPI, with the cost of the PPI already included as well. Lloyds hasn't been able to say how these loan agreements came to be produced with the PPI already included in them, but it says it must've been the result of a discussion before the loan agreements were printed.

This is possible. But without any other evidence to support that view, I have only a sample loan agreement that to me seems to present PPI as an integral part of the loan. And once the PPI was included in the agreement, I can't see that someone would understand it was optional. So, in the absence of any other evidence to show to how the PPI was presented to Miss H, I think it's likely it was as an integral part of the loan. And it's likely she wasn't aware she had the option of taking out the loan without PPI.

It follows I think Miss H has lost out as a result of the problems with this sale.

### **putting things right**

Miss H borrowed extra to pay for the PPI, so her loan was bigger than it should've been and she paid more than she should've each month. Miss H needs to get back the extra she's paid.

So, Lloyds should:

- Work out and pay Miss H the difference between what she paid each month on the loan and what she would've paid each month without PPI.
- Add simple interest to the extra amount Miss H paid each month from when she paid it until she gets it back. The rate of interest is 8% a year<sup>†</sup>.
- If Miss H made a successful claim under the PPI policy, Lloyds can take off what she got for the claim from the amount it owes her.

<sup>†</sup> HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Miss H a certificate showing how much tax it's taken off if she asks for one.

### **my final decision**

My decision is I uphold this complaint and Lloyds Bank plc must pay Miss H compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 22 July 2018.

Rebecca Connelley  
**ombudsman**