

complaint

This complaint is about a credit card payment protection insurance ('PPI') policy taken out in 1998. Mr A says Lloyds Bank PLC ('Lloyds') mis-sold him 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 Mr A's case.

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

- I think Lloyds made Mr A aware that he had choice about buying the PPI, and that he chose to take it. I say this because I've seen the credit card application Mr A signed and there is a tick in the box selecting PPI.

I appreciate that Mr A and his representatives say that there was only one box to tick for PPI and there wasn't a box to tick to decline PPI. And on the application form it also states "...we strongly recommend you take out TSB Credit Card Payments Insurance". Mr A and his representatives feel that this led to Mr A feeling that the PPI policy was compulsory.

I disagree. Looking at the form there are other features that Mr A could opt to take or choose from. For example there was a section for 'Credit Card Sentinel' with two boxes – for one year's cover or three years. Mr A didn't tick either box. So if Mr A didn't want PPI I think he wouldn't have ticked the box.

I also think the section where PPI has been ticked is quite clear. I think Mr A would've queried it if it was something that he did not want.

Overall, taking everything into consideration, I think it's more likely than not that Mr A would've reasonably been aware that it was something that he didn't actually have to take.

- Lloyds recommended the PPI to Mr A. So it had to check that the PPI was right for him – and based on what I've seen of his circumstances at the time, I think that it was. For example he wasn't affected by any of the exclusions to or limits on the PPI cover.

I appreciate that Mr A has advised he received good sick pay benefits from his employer if he was unable to work due to an accident or sickness. But Mr A hasn't been able to confirm the level of sick pay he would've received and for how long. The PPI would've paid out at the same time as Mr A was receiving any sick pay. It would've covered his repayments for up to 12 months per claim if he was unable to work because of sickness or if he lost his job – so I think Mr A would have found it useful if something went wrong.

So I can't say that this made Lloyds' recommendation unsuitable.

- It's possible the information Lloyds gave Mr A about the PPI wasn't as clear as it should've been. But I think he chose to take it out - so it looks like he wanted this type of cover. And it seems like it would have been useful for him if something went wrong. It also looks like it was affordable. So I don't think better information about the PPI would have put him off taking out the cover.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr A.

But Lloyds will pay back some of the cost of the PPI to Mr A 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 Mr A about that. Because Lloyds didn't tell Mr A, 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 Mr A has said - including what he's said about how the credit card application was presented, but for the reasons given above these points don't change my decision.

what the business needs to do

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

Lloyds should re-work the credit card account and pay back to Mr A the difference between what Mr A owes and what he would've owed if the commission and profit share it got hadn't been over 50% of the cost of the PPI. Lloyds should also pay Mr A 8%* simple interest if Mr A paid off his credit card at some point.

*Businesses have to take basic rate tax off this interest. Mr A can claim back the tax if he 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 Mr S.

But Lloyds Bank PLC does have to pay back to Mr A 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 Mr A to accept or reject my decision before 16 April 2018.

Matthew Horner
ombudsman