

complaint

This complaint is about mortgage payment protection insurance (PPI) taken out in 1993 and 2006. Mr and Mrs B say Lloyds Bank PLC mis-sold them the PPI.

background

I sent Mr and Mrs B and Lloyds a provisional decision to explain why I didn't think I should uphold the complaint. I said I'd consider anything else Mr and Mrs B or Lloyds wanted to give me, so long as I received it by 10 October 2018. I haven't received anything else from Lloyds or Mr and Mrs B.

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 Mr and Mrs B's case.

I've decided not to uphold the complaint. I'll explain why.

The PPI was cover for accident, sickness and unemployment. The first policy started in 1993 and covered Mr B. The second policy started in 2006 and Mr B had 80% of the cover and Mrs B had 20%.

Mr and Mrs B have said that when the first policy started they felt they had no option but to take the PPI. They've said they were given a mortgage quote that included PPI but found this out only when they asked why the quote was so high. They've said it was implied that they had to take PPI to qualify for the mortgage and they were strongly advised to take it to greatly improve their chances of getting the mortgage. They've also said they were told they were close to the upper lending limit so it was very unlikely the loan would be approved without PPI, and that they were told that taking the policy was the normal thing to do.

Mr and Mrs B have said that they felt under pressure to take the first policy because if the mortgage was delayed it would delay the start of planned works. They say Lloyds was aware of this at the time and imposed the PPI condition after not having mentioned it before.

For the second policy, Mr and Mrs B have said that they weren't aware that they'd taken out the policy. They've said they've been told it's likely it was just added automatically because they had the first policy.

I've thought about all this carefully.

Lloyds has given us a copy of the application form for the second PPI policy. This shows that Mr and Mrs B signed to take out the cover. So I think it's likely they were aware they were taking out the cover at the time and chose to take it out. But I can understand why they don't remember this, after ten years or more. Also, as the PPI had its own separate application form, I think it's likely Mr and Mrs B were aware at the time that the policy was something separate from the mortgage.

Mr and Mrs B also signed a mortgage loan agreement in 2006, to take out the loan. This had an insurance section which listed the PPI under the heading "*Optional Insurance*". It said: "*You are not obliged to take this cover but should you wish to through Lloyds TSB, the monthly cost for the term of your mortgage is shown opposite*".

All this makes me think it's likely Lloyds made it clear to Mr and Mrs B that they didn't have to take out the PPI in 2006, and Mr and Mrs B chose to take it out.

The 1993 sale was well over twenty years ago. And buying insurance is often not very memorable. So although Mr and Mrs B have given a detailed account of what they can remember of the sale, on its own this isn't enough to make me think that Lloyds didn't make clear at the sale that the PPI was optional. And apart from what they remember, there isn't anything else to make me think Lloyds misled Mr and Mrs B into believing they needed to take out the PPI. Financial services culture was, no doubt, different then as Mr and Mrs B have said. But I haven't seen enough to make me think that Mr and Mrs B didn't choose to take out the PPI in 1993.

Lloyds recommended the PPI so it had to make sure it was right for Mr and Mrs B. Based on what I've seen of Mr and Mrs B's circumstances in 1993, I think that it was. Mr B wasn't affected by any of the limits or exclusions on the policy cover. He had generous sick pay and redundancy entitlements. But the PPI would've paid out on top of any work benefits he got. And I don't think his work benefits wouldn't have lasted for as long as the PPI payments could last – which was up to twelve months per claim. Also the policy helped protect a mortgage – a large and long term liability secured on Mr and Mrs B's home.

Taking all this into account, I think Mr and Mrs B had a need for the 1993 PPI. And I think the same applies for the 2006 PPI too.

The 2006 PPI covered Mrs B, for 20% of the benefit. From what I've seen of the policy terms and Mrs B's circumstances, I think she might've found it difficult to claim until she had been in more regular employment for longer. So I don't think Lloyds should have recommended that Mrs B be included on the cover.

But if Mrs B hadn't been included on the cover, I don't see any reason why this would've put Mr and Mrs B off taking out the policy to cover Mr B – for the reasons I've already given above. And if Mrs B's income was irregular and unreliable, as Mr and Mrs B say, I think this would increase the need for Mr B to have cover – because Mr and Mrs B would be even more vulnerable if Mr B lost his income. Taking all this into account, I think Lloyds should've recommended that Mr B have 100% of the 2006 policy benefit, rather than the 80% he had.

On that basis the policy would have paid out a bit more if Mr B had needed to claim on it. Mr B never needed to claim on it, so I don't think Mr and Mrs B lost out as a result of having part of the 2006 cover allocated to Mrs B instead of to Mr B.

It's possible the information Lloyds gave Mr and Mrs B about the PPI wasn't as clear as it should've been. But it looks like they chose to take out the cover in 2006 – and I haven't seen enough to say the same didn't apply in 1993 – so it looks like they wanted this type of cover. And if something went wrong it seems the cover for Mr B would have been useful for Mr and Mrs B, for the reasons I've given above. So, I don't think better information about the PPI would have put Mr and Mrs B off taking out the cover. Better information might have led them to choose to cover only Mr B. But, as I've already explained above, Mr and Mrs B haven't lost out as a result of not doing this.

I've thought about all Mr and Mrs B's points, but these points don't change my decision. I've also thought about whether Lloyds needs to give Mr and Mrs B some of the commission they paid back. The Supreme Court ruling and new rules and guidance don't apply to certain types of mortgage agreement – including a 'regulated mortgage'. As Mr and Mrs B's mortgage became a regulated mortgage before 6 April 2008 they don't apply. So Lloyds doesn't need to refund any of the commission Mr and Mrs B paid for the PPI they had with that mortgage.

my final decision

For the reasons given above, I don't uphold Mr and Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 18 November 2018.

Richard Sheridan
ombudsman