

complaint

This complaint is about a credit card payment protection insurance (“PPI”) policy taken out in 1998. Mrs D says Lloyds Bank PLC (“Lloyds”), trading as TSB, 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 D’s case.

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

- I think Lloyds made it clear that Mrs D didn’t have to take out the PPI and she chose to take it out – although I can understand why she can’t remember this. I say this because Lloyds has given us a copy of the credit card application Mrs D saw and signed at the time of sale. I can see there’s a separate section with the heading ‘*optional features*’. PPI is the second option available. A tick has been placed in the box to agree to the PPI and Mrs D has signed the application form to say she consents to the information contained in it – so I think this reflected what she wanted. Had Mrs D not wanted the PPI she could have left the box blank.

So, based on what I’ve seen, I think Mrs D was aware the policy was optional and that she agreed to take out PPI, knowing it was something that she could have said no to.

- Lloyds didn’t recommend the PPI to Mrs D so it didn’t have to check if it was right for her. But it did have to make sure Mrs D got the information she needed to decide if it was right for her.
- It’s possible the information Lloyds gave Mrs D about the PPI wasn’t as clear as it should’ve been. But she chose to take out the PPI - so it looks like she wanted this type of cover. Based on what I’ve seen of her circumstances at the time it doesn’t look like she was affected by any of the exclusions to or limits on the PPI cover - so it would have been useful for her if something went wrong. It also looks like the PPI was affordable. So I don’t think better information about the PPI would have put her off taking out the cover.
- Which means Lloyds doesn’t have to pay back all of the cost of the PPI to Mrs D.

But Lloyds will pay back *some* of the cost of the PPI to Mrs D 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 D about that. Because Lloyds didn’t tell Mrs D, 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 D has said - including what she has said about paying for PPI despite asking for it to be cancelled. We asked Mrs D for evidence of when she requested the PPI be cancelled but unfortunately she doesn't have any information. Lloyds has said it has no records of Mrs D contacting it to cancel the policy. So I've not considered this point further. If the policy hasn't yet been cancelled Mrs D should contact Lloyds directly about this. So this point doesn't change my decision.

what the business needs to do

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

Lloyds should re-work the credit card account and pay back to Mrs D the difference between what she owes and what she 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 Mrs D 8%* simple interest if Mrs D paid off her credit card at some point.

*Businesses have to take basic rate tax off this interest. Mrs D 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 D.

But Lloyds Bank PLC does have to pay back to Mrs D 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 D to accept or reject my decision before 4 June 2018.

Staci Rowland
ombudsman