

## **complaint**

This complaint concerns a single premium payment protection insurance (PPI) policy taken alongside a loan for a holiday with Lloyds Bank PLC ('Lloyds') formerly Lloyds TSB Bank PLC in 2008.

Mrs D, who is represented by a third party complains that she was mis-sold the policy.

## **background**

Mrs D took out the PPI in 2008 in branch after a meeting with an adviser. This particular policy covered Mrs D for her loan repayments in the event of her unemployment, accident or sickness. The policy also provided the additional benefits of critical illness cover, hospitalisation cover and life cover.

The heart of Mrs D's complaint is that the policy was unsuitable for her because it was too expensive and she was never provided with sufficient information to enable her to make an informed choice about taking out the PPI policy. She says that Lloyds only showed her one figure for her loan repayments which included the PPI payment. Mrs D also states that she was not given an opportunity to say whether she wanted the PPI as she was never asked.

An adjudicator has considered Mrs D's complaint and recommended that it should not be upheld. Mrs D and her representative do not agree with this finding and have asked that the complaint be referred to an ombudsman for a final decision.

## **my findings**

I have only included a brief summary of the complaint and the background above, however, I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

In doing so I have taken into account any relevant regulatory rules, the law and good industry practice at the time the policy was sold.

It seems to me that the relevant considerations in this case are materially the same as those set out in the section of our website explaining how we deal with PPI complaints.

The overarching questions I need to consider therefore are:

- Whether Lloyds gave Mrs D information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the insurance she was buying.
- Whether in giving any advice or recommendation, Lloyds took adequate steps to ensure that the product it recommended was suitable for Mrs D's needs.

If there were any shortcomings in the way the policy was sold I need to decide if Mrs D is worse off as a result. That is, would Mrs D be in a different position to the position she finds herself in now if there had not been any shortcomings.

It should be noted here that the available evidence in this case is incomplete. Neither party can provide all of the documentation that would have been applicable at the point of sale of

the policy. Therefore, I can only make my decision on the limited available evidence provided to me by both parties. As such I can only decide on balance what is most likely to have happened in the circumstances of the sale.

After careful consideration, I have decided not to uphold the complaint. I set out my reasons below.

#### the basis of the sale

Mrs D has said that the business did not advise her about the PPI, although she says that she went into the branch to obtain a loan. It is entirely understandable if Mrs D's recollection of the events of the sale have faded over time. I have however noted that the business says that this particular sale was an advised / recommended sale.

In the circumstances, that there was a meeting and that Lloyds say that the PPI was recommended I will approach the complaint on the basis that this was an advised sale.

I have therefore considered whether it was a suitable recommendation for Mrs D *and* if the information provided to Mrs D was clear, fair and not misleading. However, before I do so I will turn to what I regard as an important part of Mrs D's complaint – that she did not have a choice in whether to take out the policy out and does not remember being asked whether or not she wanted a PPI policy.

#### was it made clear that the policy was optional?

Mrs D says that the cost of the loan and the PPI policy were presented together and that she was never asked whether or not she wanted to take out the PPI.

Lloyds say that it was never a requirement to take out a PPI policy in order for a loan application to be accepted and that the documents provided at the time of sale clearly demonstrated that PPI was optional.

The available evidence in this case is limited but I have had sight of the *Fixed -Sum Loan Agreement* completed in this case. Whilst this document is incomplete and missing the signature page the PPI policy cost has been set out as a separate item in this document. In addition I have considered the *Loan Protection Insurance* policy document and on page three details are provided on cancelling the PPI if Mrs D wanted to change her mind about taking the insurance within 30 days of signing the loan agreement.

The agreement sets out the figures for payment of PPI and the loan separately and the policy document indicates that the loan could be cancelled if Mrs D changed her mind within 30 days of signing. On balance, I do not consider that I have enough evidence to safely conclude that Lloyds misled Mrs D into believing that this policy was not optional.

#### was the policy suitable?

The next question is whether this particular policy was suitable for Mrs D.

The policy appears suitable. I say this because;

- I note that Mrs D has told us that she was working full time when the policy was sold to her. She had been with her employer for approximately five years at the time she took

the policy and would have been eligible for the cover it provided. I have not seen any evidence that Mrs D would have been subject to the most significant limitations or exclusions of the policy such as those relating to pre-existing medical conditions or unusual employment terms.

- I also note that Mrs D has said she would receive statutory sick pay in the event she was unable to work. She has also told us that she had no other means which would cover her expenses in the event that she found herself in a situation where she was unable to work due to unemployment or sickness. Given these circumstances, I consider that Mrs D would have found the policy benefit useful had she found herself in this situation. This policy paid the same amounts as the monthly loan repayments calculated from the first full day of accident, sickness or unemployment, provided that the periods of unemployment or accident and sickness lasted longer than 15 days. For unemployment the PPI policy paid up to a maximum of 12 monthly payments.
- The cost of this particular policy was £167.03 and the total charge for the loan was £30.43. The figures for the cost of the policy, the monthly repayment, the number of repayments and the total amount payable have been set out in the *Fixed-Sum Loan Agreement*. Whilst Mrs D says that the policy was too expensive and that the policy has added extra money to the cost of the loan which she could have used in a more practical way, on balance I am persuaded that the costs of the policy were clearly set out to her and I have found no evidence to suggest that the policy was unaffordable for Mrs D.
- In terms of the cost and the benefit it provided in the event of a claim, the policy cost could be recouped in approximately three months of the claim.
- The policy provided less than a pro-rata refund on early cancellation after 30 days. This made the policy inflexible and represented a limitation which should have been brought to Mrs D's attention. However, I have not been provided with any persuasive evidence to suggest that Mrs D would have wanted to repay the loan within the policy term and as such I do not consider that flexibility would have been an important factor for Mrs D at the time of the sale.

In the circumstances, I am persuaded that the PPI policy was a suitable recommendation for Mrs D.

#### Information provided to Mrs D

Turning next to the information Mrs D received about the policy at the time, for example about the benefits, the terms of the policy and its exclusions and limitations, I cannot be certain that Lloyds did properly inform Mrs D.

Even though I cannot be sure on the evidence available that all the necessary information was made sufficiently clear to Mrs D I do not consider that I need to determine this. I say this because even if Mrs D had been provided with clearer information about the policy, for the same reasons that I have concluded that the policy was suitable for Mrs D (summarised above), I consider it likely that Mrs D's decision to go ahead with the policy would not have been any different. I am persuaded that she is likely to have made the same choice and taken out the policy out and in the circumstances Mrs D is in no worse position having taken the PPI policy.

#### summary

In summary, I do not believe I can safely conclude that Lloyds presented the policy to Mrs D as anything other than optional. Also I am satisfied that the PPI policy was most likely a suitable recommendation and a recommendation that Mrs D was more likely than not to have accepted, even if she had been given fuller information about the terms of the policy.

It follows, therefore, that I do not consider that this complaint should succeed.

**my final decision**

For the reasons outlined above I do not uphold this complaint and make no award against Lloyds Bank PLC in this case.

Nicola Woolf  
**ombudsman**