

complaint

Mr and Mrs W held a fee-free current account with Lloyds Bank PLC for many years. They upgraded this several times over the years to progressively more expensive packaged accounts. Mr and Mrs W paid a monthly fee for these accounts and in return they came with a package of benefits. Mr and Mrs W feel that the packaged accounts were mis-sold.

background

I issued a provisional decision in November 2015. A copy of this is attached and forms part of this final decision. In my provisional decision I explained why I wasn't at that stage intending to uphold Mr and Mrs W's complaint. I gave both Mr and Mrs W and Lloyds the chance to provide further information. Lloyds have not responded and Mr and Mrs W have made further comments.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mrs W has made a number of points which I have read with care. In summary she says that she and Mr W were taken advantage of by Lloyds because the cost of the packages outweighed the benefits. She feels that Lloyds' recommendations were motivated by Lloyds' best interests rather than by hers and Mr W's. She says they didn't use the breakdown cover and they didn't register the phones; their bank manager did.

Mrs W says she appreciates that I have looked in detail at the complaint and agrees with some of my opinions but that she is bitterly disappointed in an establishment with which she has banked for over forty years.

I have given careful thought to what Mrs W has said but it doesn't change my findings. I think Mr and Mrs W freely chose to upgrade their account each time and did so because there was something about each package (or add-on, in the case of the Club Lloyds feature) that they wanted. I still think that, even if Lloyds didn't give all the information they should have given to Mr and Mrs W, it would have made no difference. I think Mr and Mrs W would have taken each packaged account anyway. So I don't uphold this complaint. I am sorry to disappoint Mr and Mrs W.

my final decision

For the reasons I've explained, I don't uphold this complaint and I make no award against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs W to accept or reject my decision before 18 January 2016.

E J Mc Allister
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr and Mrs W held a fee-free current account with Lloyds Bank PLC for many years. They upgraded this several times over the years to progressively more expensive packaged accounts. Mr and Mrs W paid a monthly fee for these accounts and in return they came with a package of benefits. Mr and Mrs W feel that the packaged accounts were mis-sold.

background

Our adjudicator didn't think the complaint should be upheld. Mr and Mrs W disagreed so the complaint has come to me for a decision.

my provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We have set out our general approach to complaints about packaged bank accounts on our website. I have taken this into account when considering Mr and Mrs W's complaint. Having done so, I've decided at this stage not to uphold it. I've explained my reasons below. First, though, it will be helpful to set out what Lloyds say happened with Mr and Mrs W's account.

Lloyds can't say when the account was opened but they have no reason to disagree with Mr and Mrs W who say it was opened in 1995. Lloyds say it would have been opened as a fee-free account because they didn't offer paid-for packaged accounts in 1995. The first record Lloyds have of Mr and Mrs W having a packaged account is August 2001. Bank statements provided by Lloyds show that by that time they had upgraded their fee-free account to a Gold account. In May 2004, they upgraded it to a Platinum account and in September 2008 they upgraded it again, this time to a Premier account. However, they changed their minds and downgraded it a few days later without charge. In July 2012, they upgraded the account to a Premier and in October 2014 they added "Club Lloyds" features at a cost of £5 per month. Lloyds say that in 2015, after making their complaint, Mr and Mrs W downgraded the account so that it just had the Club Lloyds features.

Lloyds say that Mr and Mrs W would have been given a fair choice about whether or not to upgrade their account on each occasion and that they would have been given all the information they needed to make an informed choice. Lloyds also say they recommended the accounts. They say that they would have been notified any time there was a change to the benefits or to the cost and that, in addition, they were sent reminders about the benefits over the years. Regarding the upgrade to the Premier account in July 2012, Lloyds have provided a document (a personal summary of recommendation or "YPSOR") which, they say, shows that a detailed discussion took place about the main features of the package and that Mr and Mrs W expressly said they needed those features. The YPSOR says that Mr and Mrs W told Lloyds that one of them had a pre-existing medical condition and that Lloyds told them they needed to inform the insurer who might ask for a premium to cover it. Lloyds have provided customer notes from the time that Mr and Mrs W complained to them. The notes say they were paying a lot for something they hadn't much used and that they couldn't remember why they upgraded. Lloyds have also said that they registered two handsets for the mobile phone insurance (in 2005 and 2011) and used the car breakdown cover shortly after upgrading to the Platinum account.

Mr and Mrs W have said that they were told they had to upgrade to the Gold account in order to get an overdraft and to improve their relationship with the bank. They say they upgraded to the Platinum and then to the Premier account (in 2004 and 2012 respectively) because they were told they had to in order to get the loans they needed to help their children with university costs. They say they weren't given the right advice or information. Mr and Mrs W have also said that they carried on paying for a packaged bank account because they didn't know they could cancel and because they thought everyone paid these fees. They said that they already had car breakdown cover through Mr W's employer and that they didn't have a smartphone. They say that it was the bank who registered their phone for mobile phone insurance. Mr and Mrs W have said that Mr W had a pre-existing medical condition and that Lloyds didn't tell them that this wouldn't be covered by the insurance. They say that they were told that having a packaged bank account would improve their credit score.

First I will consider whether Mr and Mrs W freely chose to upgrade to the paid-for packaged accounts or whether Lloyds did anything that meant they didn't have a fair choice.

I think that Mr and Mrs W made a free choice on each occasion that they upgraded this account and when they added on the Club Lloyds feature. In reaching this conclusion I have borne in mind what is in Lloyds' customer notes from the time that Mrs W first complained. The notes do not mention Mrs W saying they were told they had to have the accounts and I would have expected this to be one of the first things Mrs W said if that's what had happened. Instead her main points were either why they didn't need the benefits that came with the packages or shortcomings in the way the packages were sold. The notes do say that Mrs W didn't think she could downgrade. I've dealt with this later in this decision.

As to what Mr and Mrs W have said about being told they needed the Gold account to have an overdraft, I think they are mistaken about this. The earliest bank statements I've seen show that they rarely used their overdraft and what I've seen of their account usage over the years shows that they used it from time to time but not heavily. So, although I don't know when they took out the Gold account or what state their account was in when they took it out, looking at their overdraft usage overall, I think it's unlikely that they upgraded to get an overdraft. As to being told that upgrading to the Gold account would improve their banking relationship, they may have been told this and, indeed, it might have been true. But I don't think this means that they weren't given a fair choice.

I know that Mr and Mrs W say that they were told they had to upgrade to the Platinum and Premier accounts in order to be approved for loans in 2004 and 2012 respectively. But I've seen no evidence that they took out loans around the time of these upgrades so I think they are mistaken about this.

However, in October 2014 Mrs W applied for a loan and was refused at first on grounds of affordability. Going by the customer notes, she was approved for the same loan on the same terms just minutes later. The next entry in the customer notes shows that in the same meeting she and Mr W opened a Club Lloyds monthly saver. I infer from this that she upgraded their account to the Club Lloyds which was an add-on that cost £5 per month and could be taken alongside a fee-free account or any packaged account, in this case Mr and Mrs W's Premier account.

I don't know why Mrs W's loan application was first declined and then approved. The only thing that appears to have changed is that they upgraded to Club Lloyds. I've considered whether this upgrade was decisive in the loan being approved – or whether Mr and Mrs W

were given the *impression* that it would be decisive. If that is what happened, it would mean that they weren't given a fair choice. But I don't think that's the case. The customer notes say that Mr and Mrs W wanted the preferential credit interest rates (up to 4%) and that they were interested in the entertainment benefits. I also note that when they downgraded to a fee-free account, they decided to keep the Club Lloyds add-on which means they value it and I think they took it out *because* they knew they'd find it valuable – rather than because they felt they had to in order to secure a loan.

So as I've said, I think that each of Mr and Mrs W's upgrades were freely chosen by them. As to what Mr and Mrs W have said about not being told and not knowing they could cancel the paid-for accounts, I've not been persuaded that this is the case. I've seen that they downgraded their Premier account after just a few days in 2008 to a Platinum account so they knew downgrades were possible. They also held a fee-free account for several years before they upgraded to a paid-for account and I've not seen any persuasive evidence that anything happened to make them believe they could no longer have a fee-free account.

It will be helpful if I now look at the benefits of each package in turn.

Gold account around or before August 2001

There were a number of benefits with the Gold account around this time but the main one was the travel insurance. Mr and Mrs W have said that they did travel abroad and that they needed to make a claim on the insurance on one occasion. So I think this was the primary reason they upgraded to the Gold. I know they say they weren't told Mr W's pre-existing medical condition wouldn't be covered and, of course, they should have been told that they needed to declare this to the insurer and that it mightn't be covered. But, if they had been told and it hadn't been covered, I think they still would have taken the Gold account. I say this because they still would have needed the travel insurance for unexpected medical problems as well as general travel risks. In any event, the insurer might have given them the option of paying an additional premium to cover the existing medical condition and they might have been happy to pay this.

As to whether Lloyds' recommendation was a suitable one, I think it was. I do think that Lloyds should have told Mr and Mrs W that the pre-existing medical condition needed to be declared. And I'm not satisfied they did. But I don't think this meant that the recommendation wasn't suitable because Mr and Mrs W had an interest in and need for the insurance and I've not seen any evidence that makes me think Mr and Mrs W would have bought insurance elsewhere if they had been told about this potential limitation.

Platinum account upgrade 2004

As well as the travel insurance, which I have already dealt with above, the Platinum account had car breakdown cover which Mr and Mrs W went on to use some months after the upgrade. I know Mr and Mrs W say that they already had this cover but I'm satisfied that they nevertheless had a need for it and were interested in it – because, after all, they used it when they broke down. The Platinum account also had mobile phone insurance by the time this upgrade took place and Mr and Mrs W went on to register a phone the following year. I know they say that it was Lloyds who registered the phone but I don't think in this case it matters who registered it. The registration happened some time after the upgrade so the phone insurance mightn't have been the main reason for the upgrade. But I think

when they upgraded Mr and Mrs W would nevertheless have had in mind that they might in due course be able to make use of the phone insurance too and I think this would have been a factor in their decision to upgrade.

I'm satisfied that Lloyds' recommendation of the Platinum account was appropriate because it had the additional benefit of the car breakdown cover which Mr and Mrs W had an interest in and need for and it had phone insurance which they also probably expected to have a need for in due course.

Premier account upgrade 2012

The Premier account had a number of features which I think Mr and Mrs W needed or wanted and which the Platinum account didn't offer. These included enhanced breakdown cover and home emergency cover. I've already said I'm satisfied that breakdown cover was something Mr and Mrs W needed and that means the enhanced cover was also likely to have been useful. The YPSOR says that Mr and Mrs W wanted this upgrade for the enhanced breakdown cover and for the home emergency cover. I've considered the possibility that this record may not be accurate. However, later customer notes from the time of the addition of the Club Lloyds feature (see below) state that Mr and Mrs W declined a review of the Premier account saying they were happy with it. So, taken together, I think it's likely that Mr and Mrs W chose to have the Premier account because of the benefits it provided that the Platinum didn't. I'm also mindful that in 2008 Mr and Mrs W upgraded to the Premier and then decided against it – downgrading just a few days later. So I'm satisfied that when they chose to upgrade again, it was likely to have been an informed choice. The YPSOR also says that Mr and Mrs W told Lloyds that one of them had a pre-existing medical condition and that Lloyds told them that they must declare this to the insurer to find out whether the condition would be covered and that an additional payment might have to be paid. So, as far as this upgrade is concerned, I'm satisfied that they were told that the travel insurance might be limited in this regard and that they chose it anyway.

Club Lloyds add-on 2014

The Club Lloyds offered enhanced credit interest rates and the customer notes show that Mr and Mrs W were interested in these. I'm also conscious that Mr and Mrs W chose to keep this when they downgraded from the Premier to a fee-free account so I think this shows that they wanted and needed this feature.

Lloyds recommended the packaged accounts to Mr and Mrs W. They were sold as packages for a set price. Even if not all the benefits were suitable for Mr and Mrs W, I think that overall Lloyds made appropriate recommendations in each case. I say this because I've seen no evidence that Mr and Mrs W would not have been able to benefit from the main benefits that the accounts offered. And, as I've outlined above, I'm satisfied that Mr and Mrs W had an interest in and need for at least some of these.

I appreciate that there may have been some benefits on the accounts that Mr and Mrs W didn't want or use. But packaged bank accounts are rarely tailored to the individual so it's unlikely that every customer will find every benefit useful. It was for Mr and Mrs W to decide whether each package as a whole was attractive to them. Consumers may have been attracted to a packaged bank account even if they didn't intend to use every benefit. And an account isn't necessarily unsuitable just because a consumer doesn't use – or intend to use – all of its benefits.

When Lloyds sold the packaged accounts to Mr and Mrs W, they should have given them good enough information so that they could decide whether or not they wanted or needed them. I think it's likely that the main benefits were explained because it would have been in Lloyds' interests to do this as it would have made the packages more attractive. And I think the cost of each one would have been discussed because I've no reason to think that Mr and Mrs W thought the packages were free – so they would have wanted to know what the cost was each time they upgraded. I accept what Lloyds say about notifying Mr and Mrs W each time there was a change in the terms of the packages such as a price increase because they have given details of when they did this. I also think Mr and Mrs W were told they needed to register for the mobile phone insurance because they did register two handsets (or gave Lloyds the relevant details so that they could register them).

But I don't know if Lloyds gave *all* the important information to Mr and Mrs W that they should have given about the accounts so I'm open to the possibility that they didn't. But even if there were problems with the information that Lloyds gave Mr and Mrs W, I don't think they have lost out because of them. I say this because I haven't seen any persuasive evidence that Mr and Mrs W wouldn't have taken the packaged accounts if they'd been told everything they should have been told.

my provisional decision

For the reasons I've explained, at this stage I don't intend to uphold the complaint or make an award against Lloyds Bank PLC.

If either Lloyds Bank PLC or Mr and Mrs W wish to make any further comments or send me more information, they should do so by 10 December 2015. After that I will make my final decision.

E J Mc Allister
ombudsman