

complaint

Mr C complains about a monthly payment protection insurance ("PPI") policy added to his credit card account by Lloyds Bank PLC ("Lloyds"). He applied for the credit card in February 2000. He complains on the basis that he believes the PPI to be mis-sold to him.

background

Lloyds did not uphold Mr C's complaint. Upon referring to this service an adjudicator in his case also did not uphold his complaint. Mr C has now asked for an ombudsman to review his complaint and to provide a final decision upon the matter.

my findings

I have only included a brief summary of the complaint above but I have considered all of the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances.

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

It seems to me the relevant considerations in this case are materially the same as those set out in our well-established general approach to complaints about the sale of PPI, which is published on our website. The key questions I need to consider therefore are:

- whether Lloyds gave Mr C information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying; and
- whether, in giving any advice, Barclays took adequate steps to ensure that the product it recommended was suitable for Mr C's needs.

I have decided to not uphold Mr C's complaint. I explain why below.

basis of sale?

In this case, Lloyds and Mr C disagree about the nature and basis of this sale. Lloyds say on the one hand that the sale was advised and conducted during a meeting with one of their representatives. Mr C believes it was an advised postal transaction. I find that this sale was advised in line with what Lloyds have told me and upon review of the credit card application form which suggests this was a branch sale. As such as well as ensuring that the product they were recommending was suitable for Mr C, they also had to ensure that the information they gave him was clear and fair.

did Mr C have a clear choice about opting for the PPI?

As well as other complaints, Mr C has complained that he was not made aware that the PPI was optional. I have reviewed the credit card application form/credit agreement he completed and I note that PPI is presented as an option on this form. At section six of the form the section is introduced in bold writing just as prominent as the other section as "*Optional features*". A very brief description is then provided about PPI. This section then provides two options to either select "Yes" to protecting monthly repayments or "No". Both

boxes are equally as prominent to each other and adjacent. I can see that in Mr C's case the box has been ticked in favour of adding the PPI. Mr C in response to the adjudicator's assessment in his case has suggested that it was not him who had filled out the forms. Given that almost 14 years have elapsed since this sale I cannot say what was conveyed to Mr C or who completed the application. Nevertheless it appears that Lloyds have presented the optional nature of the PPI by introducing this section as "*Optional*" on the credit agreement and providing an option to decline the PPI to which Mr C agrees to.

I have noticed too that Mr C had the PPI policy for almost 11 years before cancelling the product. I can see that it also appeared on his statements as "*payment protection*". Given that Mr C appears to have been afforded the opportunity to decline the PPI, I cannot safely say that Lloyds did not make him aware that the policy was optional. It seems just as likely to me that Mr C was aware of the PPI and has selected it at the time. Furthermore, I would expect that a consumer who is now complaining about a product being sold as compulsory or mandatory would enquire earlier during the life of the credit card account about the addition of the product. I cannot say now, in excess of 13 years after the purchase what was said or conveyed to Mr C. So, in light of the fact that the documentary evidence suggests that he was given the option and that the product remained unquestioned for a substantial period of time, I cannot safely say that Lloyds sold this product to Mr C as a compulsory requirement to secure the credit card, or assumed the PPI selection in his case. It is just as likely in my findings that Mr C was aware of his options and has chosen the PPI. Although Mr C questions that it was not himself who filled out the application form, I cannot safely say that it wasn't him who filled out the form without further independent evidence that this is the case. Mr C's complaint does not succeed on this basis.

was the policy suitable for Mr C?

The policy appears to have been suitable for Mr C's circumstances at the time. He was eligible for the cover and it appears affordable for him. He has told me that he was not entitled to any workplace benefits if he was unable to work and that he had savings of between £3,000-£4,000 at the time. Other than this he had no other apparent means with which to meet his credit card repayments in the event he could not work.

Although the policy included conditions limiting the cover for some people (for example, those with pre-existing medical conditions or the self-employed), it doesn't appear these restrictions applied to Mr C's circumstances, so he could have benefited from the full extent of the policy, if necessary. Given that Mr C would have to rely upon his savings if he was unable to work I am persuaded that the policy would provide him with up to 12 months' worth of cover if he was unable to work due to accident, sickness or unemployment. The benefit of the policy would pay 5% of any outstanding monthly balance on his credit card in the event of having to claim and would've repaid the balance in full on the 12th month. I am satisfied that the PPI would've provided Mr C welcome breathing space if he was unable to work and would've paid out despite his savings, thereby freeing-up his savings to be put to use elsewhere if necessary. I have considered that Mr C did have other financial products such as critical illness and life cover; however the PPI protected his income in the event of unemployment and absence for sickness. I cannot say that these policies in themselves made the PPI an unsuitable recommendation. The PPI therefore appears, on balance, a suitable recommendation for him.

did Lloyds provide Mr C with information that was clear and fair?

Lloyds have told me that their adviser should have explained the significant features and limitations of the cover and that Mr C would've received a policy booklet. Much like not being able to safely say that Lloyds sold this product as mandatory; I cannot say now that their adviser did explain all the features of the policy. Even if he was provided with the booklet I cannot say with any certainty that he read it at the point of sale. As such there is a real risk of information failings in this sale. However, before I can uphold a complaint I need to be able to say that the failings have caused a consumer detriment, that is to say that if they were provided with the missing or unclear information in a fair and transparent manner, they would not have purchased this policy in light of such revealed information. In Mr C's case I cannot safely say that he would have done anything differently if he was made aware of the information. I explain why below.

The application form from this sale is partially illegible; however it appears that the policy's costs and benefits were not disclosed to Mr C on this form. Lloyds have told me that this would've been explained in person or via the policy booklet Mr C received, but I do not accept now that what *should've happened necessarily did happen*. I accept that Mr C might not have understood that he would have to keep paying for the policy during a claim – and that this meant the real benefit was actually slightly less than the 5% stated. But the policy's cost and benefit were still relatively competitive in the market at the time and the benefit would still have paid out more than Mr C's minimum credit card repayment each month. So, given that the cover does not appear prohibitively expensive and that he probably didn't expect the benefit to be a great deal more than it actually was, I'm not persuaded he would have been put off taking out the policy if the cost or benefit had been better explained. Further, information here would've simply revealed that the PPI was a suitable recommendation for his circumstances at the time and that he had a need for protection if he was unable to work.

Although it doesn't appear the policy's exclusions and limitations were drawn to Mr C's attention, I don't think this would have mattered to him. I say this because his circumstances at the time lead me to think it unlikely he would have been caught by those terms.

So, in light of Mr C's circumstances which suggest a need for protection, I cannot safely say that the information failings have caused him any detriment. If such information was made available I cannot say that he would have been dissuaded from purchasing this product.

As a result of information failings in this sale I cannot say that Mr C has suffered any detriment as a result.

I do not uphold his complaint.

my final decision

I do not uphold this complaint and I make no award against Lloyds Bank PLC.

Daniel Lucas
ombudsman