

complaint

Mr and Mrs H complain that Lloyds Bank Plc mis-sold them payment protection insurance (PPI) in connection with their mortgage.

background

In 1992 Mr and Mrs H took out a mortgage with TSB Homeloans Ltd - which later became part of Lloyds – during a meeting at one of its branches. At the same time Mr and Mrs H took out PPI to cover Mr H's income and protect their mortgage payments in the event Mr H couldn't work through accident, sickness or if he lost his job.

The policy cost £19.66 a month and it provided a benefit to match Mr and Mrs H's monthly mortgage payment of £275.14 per month.

Upon a successful claim the policy would have paid out for both accident/sickness and unemployment for up to 12 months per claim.

Mr and Mrs H's mortgage and the PPI policy ended in 1998.

Our adjudicator didn't uphold Mr and Mrs H's complaint. The adjudicator said the evidence showed that Mr and Mrs H chose to take out the PPI and there was nothing to indicate they'd lost out as a result.

Mr and Mrs H disagree so the complaint comes to me to decide.

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 approach to handling complaints about PPI on our website, and I've taken account of what's relevant here in considering this complaint.

Lloyds says it doesn't know whether this was an advised sale or not, but it has assumed it was and that it recommended the policy to Mr and Mrs H. This is to Mr and Mrs H's advantage as it means Lloyds not only had to provide Mr and Mrs H with enough information about the policy so they could make an informed decision about it. It also had to ensure the policy was right or suitable for them based on their needs and circumstances at the time. So in the absence of anything to suggest otherwise, I'm happy to accept that this was an advised sale and I've taken this into account in my consideration of the case.

This isn't an easy complaint to decide. There is limited evidence available from the time of the sale, around 25 years ago. So, I must carefully weigh up what is available to me when reaching my decision.

did Lloyds make it clear to Mr and Mrs H that they had a choice about PPI?

The PPI policy was sold in August 1992. Both Lloyds and Mr and Mrs H think it's likely the policy was sold in a branch. I have a copy of the loan offer, which does not mention PPI. But I have no other documentation from the time such as an application form or agreement.

I accept it is *possible* Lloyds didn't give Mr and Mrs H a choice about taking PPI. I also accept it is *possible* Lloyds gave them the impression they had to take it out. But it seems *more likely* Lloyds gave Mr and Mrs H the opportunity to take out the policy or decline it as part of their mortgage application, and that they chose to take it out, but have simply forgotten in the years that have now elapsed. I say this because had they chosen not to purchase PPI, or had it been added to their account without either their knowledge or consent, I would've expected them to query or challenge this shortly afterwards, especially as the PPI cost made their monthly repayments shown on their statements nearly £20 higher than the monthly cost of the advance shown in the loan offer.

This means I'm not persuaded (as I must be to uphold Mr and Mrs H's complaint) it is *more likely than not* Lloyds presented the policy to Mr and Mrs H as compulsory or that it didn't tell them about the policy at all.

***did things happen as they should have done – were Mr and Mrs H properly advised and informed?
if not – have Mr and Mrs H lost out?***

I don't know what Lloyds said or did when it recommended the PPI to Mr and Mrs H. I also don't know what information Mr and Mrs H were given about PPI. For example whether the policy's costs and benefits were made clear to them and if they were told about the significant exclusions and limitations of cover. I find it unlikely Mr and Mrs H agreed to take the cover out without knowing anything about it, but I don't know if they received everything they needed to know to allow them to make an informed decision.

So I accept it's possible that things did not happen as they should have done when Lloyds recommended to Mr and Mrs H that they take out PPI to cover Mr H. I accept Mr and Mrs H may not have been treated fairly and reasonably.

But for the reasons I've set out below, I don't think Mr and Mrs H have lost out as a result. I say this because, given Mr and Mrs H's circumstances and needs at the time, I think the policy cover for Mr H was suitable for them. And I find it unlikely that Mr and Mrs H would have acted differently and not gone ahead with the cover if Lloyds had done more. My reasons are as follows:

- Mr H was eligible for his cover and all its benefits
- Mr H was employed and in good health at the time, so it doesn't appear he would have been affected by any of the key exclusions / limitations of his cover such as existing medical condition exclusions or unusual employment terms.
- Mr and Mrs H were under 22 years of age and the mortgage provided for their first home together. While Mrs H had some income and Mr H had some sick pay and savings, which could have helped them make the mortgage payments if Mr H was off work ill, the policy would have paid out in addition to Mr H's sick pay and for longer than his employer if necessary – up to 12 months for each claim. Mr and Mrs H had limited other means to help them if Mr H lost his job. So I think Mr and Mrs H had a need for Mr H's cover and that it would have been useful to them if Mr H found himself unable to work. It could have helped them financially at what would be a difficult time - it could have helped them protect their home.
- I find it unlikely Mr and Mrs H would have agreed to something without having some understanding of the cost. And I think it's unlikely they would have declined it solely on the basis of its cost had it been made clearer to them. I've already said they had a need for it and at approximately £20 per month it appears to have been affordable.

So overall, while I accept there may have been failings in the way the policy was sold and Mr and Mrs H may not have been treated fairly and reasonably by Lloyds in its dealings with them, I find they've not lost out. This is because, on balance, for the reasons I've detailed above, I think Mr and Mrs H would have been in the same position if Lloyds had done more and properly advised and informed them - I think they would have still taken out the PPI.

my decision

For the reasons given above I've decided that Mr and Mrs H have not lost out as a result of taking out PPI with their mortgage, so I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 11 March 2019.

Richard Hill
ombudsman