

## **complaint**

This complaint concerns the sale of two regular premium mortgage payment protection insurance (MPPI) policies sold to Mr and Mrs Y in 1998 and 2007 in connection with a mortgage and subsequently a restructuring of part of that mortgage from interest only to repayment.

I understand that both policies covered Mr and Mrs Y's monthly mortgage repayments in the event of a claim for accident, sickness and unemployment. The cost of the policies at the time were £8.98 and £10.29 per month respectively.

Mr and Mrs Y say that Lloyds Bank Plc ("Lloyds") mis-sold the policies.

## **background**

The adjudicator concluded that the complaint in respect of both policies should not be upheld because there was insufficient evidence to conclude Lloyds did not present the 1998 policy as optional, it made clear that the 2007 policy was optional and both policies would likely have covered Mr Y in the event that he was unable to work due to accident, sickness or unemployment.

She also found that whilst Lloyds could have made the information about the cost of the policies clearer, this possible failing wasn't material to Mr and Mrs Y's decision to take the policies out.

## **my findings**

I have included only 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 also taken into account any relevant regulatory rules, the law and good industry practice at the time the policies were sold.

It seems to me that the relevant considerations in this case are materially the same as those set out in the PPI section on our website.

The key questions I will consider in this case are as follows:

- whether Lloyds gave Mr and Mrs Y information that was clear, fair and not misleading in order to put them in a position where they could make an informed choice about the insurances they were buying.
- if Lloyds was giving advice or making a recommendation, whether it took adequate steps to ensure the products being recommended were suitable for Mr and Mrs Y's needs.
- if there were shortcomings in the way in which Mr and Mrs Y were sold the policies, I will consider whether they are worse off as a result; that is, would they have done something differently- such as not taken out the policies – if there had been no shortcomings.

It doesn't seem to me likely that either of the sales took place on an advised basis. Lloyds say that both sales were non-advised and I have seen no evidence of a tailored recommendation being provided to Mr and Mrs Y in either case. Mr and Mrs Y are uncertain about whether the policies were recommended to them. In the absence of any evidence of personalised advice being provided to the effect that the policies were suitable for Mr and Mrs Y's needs, I have proceeded to assess these complaints as ones involving non-advised sales. This means that Lloyds' duty extended to providing Mr and Mrs Y with information that was clear, fair and not misleading, in order to put them in a position where they could make informed choices about the insurances they were buying.

Part of that responsibility was to make clear that the policies were optional, and not in any way compulsory, or 'part and package' of the mortgage 'deals'.

The evidence in respect of this issue in the case of both sales strongly suggests that it was *more likely than not* that the policies were presented as optional, and this is why:

- Mr and Mrs Y don't offer any detailed or convincing testimony that the policies were presented as compulsory; that is not the essence of their complaint. Rather, they say that they were unaware that the policies had been added to their accounts.
- Lloyds's literature doesn't, to my mind, imply that the policies were added without Mr and Mrs Y' knowledge. Whilst the mortgage application form for the 1998 sale is difficult to read I can see from the mortgage offer letter that the cost of the mortgage is itemised on the very first page under the words *Mortgage Sure Payment*. The words *See below for further details* appear in brackets underneath that and I note from page 3 of that letter that further details of the policy have been provided including the percentage of monthly benefit applicable to Mr Y. Reference is also made to *page nine* of the *Policy Document* for further details of the cover. As far as the 2007 sale is concerned I can see that loan agreement again sets out the cost of the MPPI under the heading *Optional Insurance*. Below that heading the words *You are not obliged to take this cover but should you wish to through Lloyds TSB Scotland Plc, the monthly cost for the term of your mortgage is shown opposite* appear.

I have not seen any compelling evidence to support Mr and Mrs Y's assertion that they expressed to Lloyds that they did not want the cover and note that the loan agreement has been signed by both of them. For these reasons I am satisfied that Mr and Mrs Y would (or ought reasonably to) have known that the policies had been added to their respective mortgage accounts both in 1998 and 2007.

- Finally, as I will explore in the next part of my decision, there is little in Mr and Mrs Y's circumstances to suggest that they might not have been interested in taking out the cover if the policies had clearly been presented to them as optional.

So taking all the above into consideration, I do not consider that I can say that Lloyds more likely than not misrepresented the optional nature of the policies – the complaint cannot therefore succeed on this basis.

I now turn to the question of whether Lloyds presented Mr and Mrs Y with information which was sufficient to properly inform their decision to take out the policies.

Because these policies appear to have been sold during the course of meetings in branch I cannot be certain what information was provided to Mr and Mrs Y because much of that information would have been provided verbally. I accept that it is possible that there might have been some shortcomings in the information supplied or the manner of its presentation. But in this case I do not consider that I need to determine this point, as even if I was to find that there had been shortcomings in the information provided, I do not consider that Mr and Mrs Y's decisions to take out the policies were - *more likely than not* - affected. I say so for the following reasons:

- There was a potential *need* for cover. In the case of both the 1998 and 2007 sales Mr and Mrs Y were taking on substantial borrowing, secured on their home; the monthly repayments were significant, having regard to Mr Y's income.
- Mr Y was eligible for both policies and being in full time employment and in good health, not affected by any of the more significant potential exclusions or limitations on benefit which might have made the policies less attractive.
- Mr Y says that he would have received sick pay from his employer but has not said how long this would have lasted for. Whilst I accept that any sick pay Mr Y might have received would have provided him with a valuable benefit, I cannot safely conclude that he and Mrs Y had no need for the MPPIs because in the event of a successful claim the policies would cover their mortgage repayments for up to 12 months in the event that Mr Y could not work due to accident, sickness or unemployment. The policies would therefore have provided Mr and Mrs Y with a worthwhile form of cover *in addition* to any benefits Mr Y did receive.
- It seems to me that as the cost of the policies (which came at a relatively modest monthly premiums and offered reasonable levels of benefit for those premiums) were *affordable* that Mr and Mrs Y might well have been attracted to the security the policies provided, given the potential consequences of default on their mortgages.

Accordingly, I am not satisfied that even with a better and fuller understanding of the policies costs Mr and Mrs Y would have made a different decision and declined them.

### **my final decision**

For the reasons set out above, I do not uphold Mr and Mrs Y's complaint or make any award against Lloyds Bank Plc.

Lâle Hussein-Doru  
**ombudsman**