

## complaint

This complaint is about a loan payment protection insurance (PPI) policy taken out in 2009. Mr P says Lloyds Bank PLC (trading as Lloyds TSB) mis-sold him the PPI.

## my findings

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

We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Mr P's case.

I've decided the policy wasn't mis-sold and I'll explain why.

- Mr P has said the PPI was sold to him during a telephone conversation. Lloyds has said it was sold in branch but also mentioned a sales call. But either way this doesn't affect my decision. I say this because I don't have everything from the point of sale. In these situations, I have to think about what is most likely to have happened. Lloyds has provided me with a copy of the loan agreement and I can see that PPI is highlighted in a separate section – Mr P has ticked and signed separately for the PPI and I can see it also refers to the policy as being 'Optional'. It's likely Mr P received this agreement after an initial conversation about the loan and PPI and if he didn't want the PPI he could have left this section blank, before returning the application.

Mr P has said he was pressured into taking out this policy and he felt obliged to take it out. I've considered this alongside what Lloyds say happened during this sale and what I know generally about how Lloyds sold policies around this time. As this was a recommended sale I think it's likely that the representative may have said that Mr P *should* take the PPI but that's different to saying he *must* take it. And pressure is a subjective area and what one person thinks is pressure another may not. So without stronger evidence of this I can't safely uphold on this basis.

So overall I think Lloyds made it clear that Mr P didn't have to take out the PPI and he chose to take it out – although I can understand why he can't remember this.

- Lloyds recommended the PPI to Mr P so it had to check that the PPI was right for him – and based on what I've seen of his circumstances at the time, I think that it was. For example he wasn't affected by any of the exclusions to or limits on the PPI cover and he seems to have had a need for the cover.
- It's possible the information Lloyds gave Mr P about the PPI wasn't as clear as it should've been. But he chose to take it out - so it looks like he wanted this type of cover. And it seems like it would have been useful for him if something went wrong. It also looks like it was affordable. So I don't think better information about the PPI would have put him off taking out the cover.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr P.

But Lloyds will pay back *some* of the cost of the PPI to Mr P because:

- When the policy was sold, Lloyds expected to get a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mr P about that. Because Lloyds didn't tell Mr P, that was unfair.
- To put that right, Lloyds has basically offered to pay back the amount of commission and profit share that was above 50% of the PPI premium - and I think that offer is fair in this case.

I've thought about everything Mr P has said - including what he has said about sick pay benefits with his employer. Mr P said he had six months full sick pay followed by six months half sick pay. But this policy would have paid for 12 months if Mr P lost his job and could have paid out for the full loan term if he was off work due to an accident or sickness. It would also have paid out in addition to any sick pay Mr P might have got. So these points don't change my decision.

#### **what the business needs to do**

Lloyds has to pay back to Mr P any commission and profit share it got that was more than 50% of the PPI premium. Lloyds should also pay back to Mr P any extra interest he paid because of that.

Lloyds should pay back to Mr P the extra he paid each month because the commission and profit share it got was more than 50% of the cost of PPI. Lloyds should also pay Mr P 8%\* simple interest on each payment.

\*Businesses have to take basic rate tax off this interest. Mr P can claim back the tax if he doesn't pay tax.

#### **my final decision**

The PPI policy wasn't mis-sold – so Lloyds Bank PLC does not have to pay back all of the cost of the PPI to Mr P.

But Lloyds Bank PLC does have to pay back to Mr P any commission and profit share it got that was more than 50% of the PPI premium.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr P to accept or reject my decision before 20 April 2018.

Jag Dhuphar  
**ombudsman**