

complaint

Mr H complains that Lloyds Bank PLC mis-sold him a packaged bank account in July 2010. He complains that he was not given sufficient information on the terms and conditions of the included insurance policies.

background

Mr H upgraded his account to a packaged "Premier" account in July 2010. He made a claim in December 2013 under the included home emergency cover when his central heating boiler failed. This claim was rejected as the insurer determined that his boiler was beyond economic repair.

Mr H says that the term relating to the rejection of a claim where the boiler was beyond economic repair was not explained to him at the time his account was upgraded. And, had it been he wouldn't have taken the packaged account since it was this insurance that was most attractive to him.

Mr H's complaint has been assessed by one of our adjudicators. He has recommended that this complaint should be upheld and has asked Lloyds to pay compensation to Mr H. Lloyds disagrees and has asked, as it is perfectly entitled to, that the complaint should be decided by an ombudsman.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have also taken into account the law, any relevant regulatory rules and good industry practice at the time the account was sold.

Mr H upgraded his account during a meeting, and as no recording or transcript of that conversation was made I have no way of knowing exactly what was said to him by Lloyds.

I have carefully reviewed the terms and conditions of the home emergency cover. These terms only provide for a payment of up to £250 towards the replacement cost of a new boiler should the cost of repairing the existing boiler exceed its replacement value – this is described as it being "beyond economic repair". And this is what was found by the engineer that was sent to repair Mr H's boiler.

It seems to me that the restriction on cover where the boiler was found to be beyond economic repair was a significant term of the insurance and something that should have been brought to Mr H's attention before he decided to upgrade his account. But from what Lloyds has told us, it is unlikely Mr H was told about this restriction before he agreed to upgrade his account. Lloyds has said that Mr H would have been given a full copy of the terms and conditions for all the included insurance products either at the end of the meeting or later by post – Mr H only remembers receiving a high level document that didn't mention the exclusion.

Mr H has told us that it was the home emergency cover that was the most attractive feature of the packaged account. And, from what I have seen, as soon as he was aware of this restriction when his claim was declined, he downgraded his account. So what he says seems to be plausible.

Lloyds has told us that Mr H was attracted to other benefits of the account such as the mobile phone insurance, car breakdown cover and travel insurance. But it seems to me that these benefits were also available on other, cheaper, packaged accounts that Lloyds offered. Since Mr H chose the “Premier” account – the only account that offered the home emergency cover – it seems likely that cover was the main reason for his upgrade.

From what Mr H has told us, and from his actions in downgrading his account when his claim was declined, it seems likely that Mr H wouldn't have agreed to the upgrade if he had been aware of the “beyond economic repair” restriction on the home emergency cover. And so it seems unlikely that this term was sufficiently brought to his attention before he decided to upgrade his account.

It follows that I uphold this complaint and direct Lloyds to pay Mr H fair compensation.

fair compensation

As I have said earlier, if he had been given enough information, Mr H would not have upgraded his account in 2010. Lloyds should put him back into the position he would have been in if he had remained with his free account. So Lloyds should;

- refund and pay Mr H the fees that he has paid for the packaged account; and
- add interest at 8% per year simple on each of the account fees from the date of payment to the date of settlement[†];

Lloyds has told us that Mr H made a successful claim on the included mobile phone insurance. It is also possible that he has made some savings on the interest payable on his overdraft, or received extra interest on his savings, as a result of the packaged account. If Lloyds can quantify these amounts, and provide Mr H with details of these calculations, then I consider it appropriate, if Lloyds wishes, for these savings to be deducted from any compensation due to him.

[†] HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mr H a certificate showing how much tax it's taken off if he asks for one.

my final decision

My final decision is that I uphold Mr H's complaint and direct Lloyds Bank PLC to pay him fair compensation as detailed above.

I make no other award against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr H either to accept or reject my decision before 13 April 2015.

Paul Reilly
ombudsman