

complaint

Mr and Mrs B have complained that they were mis-sold packaged bank accounts by Lloyds Bank PLC ("Lloyds").

background

Mr and Mrs B opened a fee-free account with Lloyds in June 1991. They upgraded this to a Select account in or before August 2001. Lloyds is unable to say exactly when the account was upgraded. They then upgraded to a Gold account in September 2005 and then a Premier account in November 2011. They downgraded to a Club Silver account in June 2014.

Mr and Mrs B say that they were advised to cancel their other standalone home emergency cover when they upgraded to the Premier account. However, they say that they tried to make a claim on the home emergency cover included with the Premier account on two occasions for an electrical fault and a problem with their boiler, both of which were declined. Our adjudicator checked which accounts Mr and Mrs B were complaining about and they said that they wanted to complain about all of them as they were never aware they could have had a free account.

Our adjudicator did not uphold this complaint in relation to the Select, Gold and Club Silver accounts. However, she did find that the significant and unusual terms of the home emergency cover may not have been drawn to Mr and Mrs B's attention when they upgraded to the Premier account. She recommended that Lloyds refund the costs Mr and Mrs B had incurred in getting their electrics and boiler fixed, along with £25 for any distress and inconvenience caused by the failed claims.

Lloyds agreed to pay this. But Mr and Mrs B disagree with the outcome reached by the adjudicator so the case has come to me to make a final decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where there is limited evidence from the time of sale I need to decide what I think is most likely to have happened.

I've decided to uphold Mr and Mrs B's complaint in relation to the declined claims on the Premier account for the reasons set out below. However, I don't think the complaint should be upheld in relation to the Select, Gold and Club Silver accounts.

Mr and Mrs B say that they didn't know they could have had a free account. But they upgraded from a free account to the Select account so I think they would have been aware that free accounts were available. I haven't seen enough evidence to understand why they thought they couldn't continue with a free account. So I think it's most likely that Mr and Mrs B were given a fair choice about whether to upgrade their account on each occasion and chose to do so because they were attracted to some of the benefits. Having considered the evidence, I don't think Lloyds personally recommended the accounts to Mr and Mrs B. So it didn't have to assess the suitability of the accounts for them. But Lloyds still had to provide clear enough information about the accounts so that Mr and Mrs B could decide for themselves whether they wanted them.

Packaged bank accounts are rarely tailored to the individual so it's unlikely that every customer will find every benefit useful. It was for Mr and Mrs B to decide whether the benefits, as a package, were attractive to them for the cost.

Mr and Mrs B say that they had duplicate mobile phone insurance but that they only had a cheap phone. However, this wasn't a benefit of the Select account at the time they upgraded. So I don't think this would have affected their decision whether to take out the account at the time of sale. I think Mr and Mrs B were made aware of benefits being added over time and considered these useful to them. I say this as I can see that Mr and Mrs B went on to register six phones for the mobile phone insurance, the first of which was whilst they had a Select account. They also logged a claim on the mobile phone insurance whilst they had the Select account. I accept that they didn't proceed with this claim, but they registered further phones for the insurance after they had upgraded to the Gold and Premier accounts. So I think they still considered this to be a useful benefit for them.

After Mr and Mrs B upgraded to the Gold account, they contacted the travel insurance provider on two occasions, so I think they were attracted to this benefit. This was not available with the Select account. Mr and Mrs B also registered cards for the card protection and benefitted from the fee-free overdrafts and preferential rates offered with the accounts, which they wouldn't have got with a free account. I also think there were other benefits of the accounts which could have been useful to them.

Mr and Mrs B have said that they were advised to cancel their standalone home emergency cover when they upgraded to the Premier account, and they also went on to try and claim on this on two occasions. So I think they were attracted to the home emergency cover provided by the Premier account. This wasn't available with the Select or Gold accounts. Mr and Mrs B would also have received a better rate on their overdraft with the Premier account than they had on the Gold account and I can see they used their overdraft around the time of the upgrade so this may also have appealed to them.

Mr and Mrs B have said that the claims they made on the home emergency cover were declined, one as the policy didn't cover electrics if they were only faulty in part of the home rather than the entire home and another as the boiler is not covered during the summer months. It appears that Mr and Mrs B relied on the insurance and thought they would be covered. And as a result of not being covered, they had to pay for these to be fixed. Mrs B told our adjudicator that she paid approximately £100 for the electrics and £60 for the boiler. She also said that she now has a standalone provider for this type of cover again.

In cases like these we can take one of two approaches. The first approach is to consider what the consumer would have done had they known all the information about the policy at the time they took it out. In this case I think the most likely scenario would have been that Mr and Mrs B wouldn't have upgraded their account from Gold to Premier and that they would have kept their existing standalone home emergency cover, which they say would have covered the claims.

I can see from Mr and Mrs B's bank statements that the standalone cover was £20.77 a month. The difference in price between the Gold account and the Premier account was £12.05 a month, save for the first three months when the difference was £4.05. So taking this into account over the 31 months they had the Premier account whilst also considering the fact that Mr and Mrs B wouldn't have paid the £160 for the boiler and the electrics to be fixed, they haven't suffered any financial loss because they upgraded to the Premier account rather than keeping the standalone cover.

The other approach we could take is to consider the fact that the consumer has relied on the insurance providing a certain level of cover. I think Mr and Mrs B did rely on the home emergency cover providing a similar level of cover as their standalone cover in this case as I

can see from their bank statements that they cancelled the standalone cover when they upgraded their account. Lloyds has offered to pay £160 to Mr and Mrs B to cover what they had to pay for fixing the boiler and electrics, in addition to £25 for any distress and inconvenience as a result of the failed claims and having to make alternative arrangements to get these fixed. Taking everything into account, I think that this is fair and reasonable in the circumstances.

fair compensation

As set out above, I think Mr and Mrs B understood that the claims for the boiler and electrics would be covered by the home emergency cover on the Premier account. So Lloyds should:

- Refund £160 to Mr and Mrs B – that being the approximate cost of the fixing the boiler and electrics.
- Pay £25 to Mr and Mrs B for any distress and inconvenience suffered by Mr and Mrs B.

my final decision

For the reasons given above, I uphold the complaint in part and require Lloyds Bank PLC to pay the fair compensation set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs B to accept or reject my decision before 24 August 2015.

Rachel Ellis
ombudsman