

complaint

Mrs F complains that Lloyds Bank plc (when it was trading as TSB) mis-sold a payment protection insurance (PPI) policy.

background

This complaint is about a mortgage PPI policy taken out by Mrs F in 1997. The policy was taken out in one of the bank's branches and provided Mrs F with cover for accident, sickness and unemployment.

Our adjudicator did not uphold the complaint. Mrs F disagreed with the adjudicator's opinion so the complaint has been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my conclusions on the balance of probabilities – that is, what I think is most likely to have happened in light of the available evidence and the wider surrounding circumstances.

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 Mrs F's case.

It seems to me that the relevant considerations in this case are materially the same as those set out on our website. And the main questions I need to consider are:

- If Lloyds gave any advice or recommendation, did it make sure the product it recommended was suitable for Mrs F's needs?
- Did Lloyds give Mrs F the information she needed to decide whether to take out the policy?

If there was a problem with the way the policy was sold then I need to consider whether Mrs F is worse off as a result. That is, would she have done something different – such as not taking out the policy – if there hadn't been any problems with the sale?

I have decided not to uphold Mrs F's complaint and I've set out my reasons below.

I note that on the mortgage application Mrs F completed, there was section about PPI and it looks like the form was filled in to show that she was interested in taking the cover. She answered a number of questions to check that she was eligible for the policy. And there is nothing on the application form to suggest that taking the PPI was a condition of the mortgage Mrs F was applying for.

So overall, I think it's likely that Lloyds made Mrs F aware the PPI was optional and she chose to take it out.

The bank has accepted that it advised Mrs F to take out the policy and it doesn't look like it was unsuitable for her based on what I've seen of her circumstances at the time. I say this because:

- Mrs F was eligible for the policy given her circumstances and the PPI terms and conditions.
- Mrs F says she wasn't entitled to sick pay from her employer if she couldn't work due to sickness or accident. So I think the policy would've provided a useful benefit for her.
- Mrs F wasn't affected by any of the conditions limiting the policy's main benefits, such as those affecting self-employed people or people with pre-existing medical conditions. As she could have benefited from the full extent of the cover I think it unlikely she and needed better advice or information about the policy's exclusions and limitations.

I've noted what Mrs F has said about not being able to claim unemployment benefit once she reached state pension age – which was about eight years after she bought the policy.

I can understand why Mrs F was upset about her unsuccessful claim when she was made redundant after state pension age. But when she bought the policy, there were still a number of years in which could've made a successful claim. So even if she'd had better information about the point at which she wouldn't be able to claim, I haven't been able to safely conclude that this would've affected her decision to buy the policy.

Mrs F considers Lloyds should've told her when the policy reached the point that it was no longer suitable for her. She may want to think about raising this as a separate complaint with Lloyds. If she's not happy with its reply, she can refer the complaint to this service for further consideration.

- I can't be sure that the cost of the policy was made clear to Mrs F before she agreed to buy it. But she took out the policy knowing she would have to pay something for it. The policy was competitively priced and had a reasonable benefit. And I've seen nothing to suggest it was unaffordable or that the benefit wasn't enough to meet her monthly mortgage repayments.

It's possible the information the bank gave Mrs F about the PPI wasn't as clear as it should have been. But she chose to take out the policy and so appears to have wanted this type of cover. As I've already said, Mrs F wasn't affected by any of the exclusions or limitations and the policy seems to have been affordable. So I think it unlikely Mrs F would have made a different decision if better information had been provided – overall, I think she would still have taken out the policy.

But Lloyds has paid back *some* of the cost of the PPI to Mrs F because:

- Lloyds got a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mrs F about that. Because Lloyds didn't tell Mrs F, that was unfair.
- To put that right, Lloyds has paid back the amount of commission and profit share that was above 50% of the PPI premium - and I think that is fair in this case.

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 Mrs F.

But Lloyds Bank plc does have to pay back to Mrs F any commission and profit share it got that was more than 50% of the PPI premium. I understand it has already done this, so I don't award any further compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 15 November 2018.

Caroline Stirling
ombudsman