

complaint

This complaint is about a single premium payment protection insurance (PPI) policy taken out in connection with a loan in 2005. Mr Y says that Lloyds TSB Bank Plc mis-sold the policy.

my findings

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. I have also taken into account the law and good industry practice at the time the policy was sold.

The overarching questions I need to consider therefore, are whether Lloyds TSB gave Mr Y information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying, and whether, in giving any advice, Lloyds TSB took adequate steps to ensure that the product it recommended was suitable for Mr Y's needs.

If there were shortcomings in the way the policy was sold, then I need to consider whether they affected Mr Y's position and whether he would have acted differently if there had not been any shortcomings.

Lloyds TSB has said that the sale was advised, and this is not in dispute. It therefore had to ensure that the policy was suitable for Mr Y, before selling it to him. In this case, I am persuaded that the insurance was a suitable recommendation. I say this because:

- Given Mr Y's circumstances at the time of the sale, (and taking account of the policy conditions), I am satisfied he was eligible for the cover.
- Mr Y's circumstances at the time do not suggest that he would have been affected by any of the significant limitations or exclusions of the cover, (such as those relating to pre-existing medical conditions), so he could have expected to benefit from the full extent of the cover provided by this policy. I note that Mr Y was self-employed at the time of the sale, but the policy terms and conditions do not differentiate between those who are employed, and those who are self-employed, so I have not seen any evidence to suggest he would have found it difficult to make an unemployment claim.

In order to make a successful claim, Mr Y would have needed to have the relevant section of the claim form completed by the relevant people:

'ie a registered doctor for disability, hospitalisation or critical illness benefit claims, the Employment Service in Great Britain, or the Department of Health and Social Security in Northern Ireland... plus your previous employer for unemployment claims.'

- As Mr Y was self-employed, he would not receive any sick pay, however he has said that he had an additional income through letting properties to students. This does not automatically mean that PPI was unsuitable, because in this case, the PPI would provide sickness and accident cover until Mr Y was able to return to work, 12 months unemployment cover, and life and critical illness cover, in addition to his existing means. Should Mr Y have been unable to work, the PPI was intended to remove the additional pressure of maintaining his loan repayments, at what would likely be a difficult time, and

it would also prevent him from using the money he received from his residential lettings which may well have been reserved for other costs such as maintenance and mortgage repayments.

- I have considered that Mr Y might have wanted a cost-effective PPI arrangement. The policy covered Mr Y at a cost of just over £42 per month. In my view, the policy could have provided someone in Mr Y's circumstances valuable cover at a cost that was affordable to him. Mr Y was taking on a new financial commitment, and in my view, it would not have been unsuitable advice for Lloyds TSB to recommend he protect his repayments, in turn giving him some reassurance in the event of sickness or unemployment, and in the unfortunate event of his death.

It follows that I am satisfied that if a recommendation was made, the policy was a suitable recommendation for someone in Mr Y's circumstances.

I have gone on to consider whether Lloyds TSB provided sufficient information for Mr Y to make an informed choice, and if not, whether this is likely to have affected their decision to take out the policy.

I have considered whether Mr Y understood the policy was optional. Having considered the evidence from both parties, I am not persuaded I can safely conclude that Mr Y was not aware the policy was optional. I cannot know for sure what was said at the time of the sale, and accept that it is possible Mr Y was led to believe he must take out the PPI, however the documentation Lloyds TSB has presented me with does not say or imply the PPI was a condition of the loan. For example, the loan agreement describes the policy as '*optional loan protection insurance*', and I consider this to be prominently displayed towards the top of the document.

In addition, following the words '*OPTIONAL LOAN PROTECTION INSURANCE? YES NO*', the yes box has a cross within it indicating that Mr Y ought to have understood that he had a choice.

Whilst I note the box appears to be pre-populated, Mr Y signed the credit agreement, and I have considered the possibility that Mr Y would have exercised care to read the document he was signing; in which case there would have been a strong likelihood he would have understood that he was agreeing to take out the PPI, and that it was not compulsory.

So, having weighed up all of the evidence presented to me, I am not persuaded I can safely conclude that Mr Y was unaware that the PPI was optional.

I have gone on to consider whether the cost of the policy was made clear to Mr Y. I am not satisfied that Lloyds TSB provided Mr Y with the overall cost of the PPI (including interest), however the loan agreement set out the cost of the premium, and how much the monthly cost of the PPI was. Given Mr Y was happy to proceed with the policy on this basis, I am not persuaded his decision to proceed with the PPI would have been any different had the cost of the interest been made clearer, as he appeared to accept the monthly cost.

The policy came with restrictive cancellation terms – it provided a less than proportionate refund if the loan or the PPI were cancelled before the end of the term. In my view, this could be problematic if Mr Y intended to refinance the loan, or repay it before the end of the scheduled term. I consider that Lloyds TSB could have done more to sufficiently draw this term to Mr Y's attention, as the cancellation terms are not explained until page 26 of the

policy document. However, his submissions when making the complaint do not suggest to me that he intended on repaying the loan early, or refinancing. It follows that I am not persuaded that Mr Y suffered detriment from the restrictive cancellation terms, because I am not persuaded his decision to take out the PPI would have been any different, had he been fully informed of the cancellation terms.

I accept that Mr Y may not have been adequately informed of all the limitations and exclusions, however, even if there were some failings, I am not persuaded that he would necessarily have taken a different course of action, and decided not to take out the policy. As I explained earlier, his circumstances do not suggest he would have been caught by any of the policy's main limitations or exclusions, and so he could have benefited from the full extent of the policy. So I am not persuaded that full knowledge of the limitations and exclusions would have deterred him from taking the PPI out.

In conclusion, whilst I accept it is possible there may have been shortcomings in the way the policy was sold, I am not persuaded Mr Y has been disadvantaged as a result. It seems to me that he appears to have chosen to take out the insurance, had a need for it, and could have benefited from the cover it provided. I am not persuaded the policy was unsuitable or that Mr Y would have acted differently and declined the policy had he been better informed.

It follows that I am not persuaded this policy was mis-sold.

my final decision

For the reasons set out above, I am not persuaded that this policy was mis-sold.

I understand that my decision will come as a disappointment for Mr Y but for the reasons set out above, I do not uphold this complaint, and make no award against Lloyds TSB Bank Plc.

Katie Doran
ombudsman