Financial Ombudsman Service

complaint

Mr P complaint is that Lloyds Bank PLC mis-sold him payment protection insurance ("PPI").

background

This complaint is about a single premium PPI policy taken out in 2004 at the same time as a loan.

Our adjudicator recommended that the complaint be upheld. Lloyds disagreed with the adjudicator's opinion so the complaint has been passed to me.

my final decision

I've considered all the available evidence and arguments to decide what's 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 this case.

I've considered Lloyds's comments, but I have still decided to uphold this complaint. This is because some of the significant costs of the PPI were not made clear to Mr P.

I say this because the loan document gave only the initial cost of the single premium, but did not clearly set out how much the premium would cost after interest was added.

Mr P would have had to read the agreement carefully to realise that interest was being added, and that the true cost was much higher than the total quoted. Mr P would have had to carry out complicated calculations to realise the true cost. He would have needed to multiply the monthly PPI payment by the total number of payments due, and then deduct this from his calculation of the total cost of the original loan. I don't think this was a fair or reliable way of communicating that there was a higher true cost, and what this cost was.

Lloyds has said that the PPI would still have been useful in Mr P's circumstances. I accept that it was potentially useful to Mr P. But the single premium was already adding a significant amount to the loan, and Mr P was not given a fair chance to assess the true cost and decide whether it was worthwhile. The PPI actually cost about an extra £273 in interest – which amounts to about 23% extra on top of the quoted cost of the PPI. I think it likely that Mr P would not have taken the PPI if he had realised how much more expensive it really was.

I think Mr P lost out as a result of Lloyds's failings in this case. I don't think Mr P would have taken out the policy if Lloyds had given proper information.

fair compensation

Mr P borrowed extra to pay for the PPI, so his loan was bigger than it should've been and he paid more than he should've each month. So Mr P needs to get back the extra he's paid.

So, Lloyds Bank PLC should:

- Work out and pay Mr P the difference between what he paid each month on the loan and what he would've paid each month without PPI.

- Add simple interest to the extra amount Mr P paid each month from when he paid it until he gets it back. The rate of interest is 8% a year†.

- If Mr P made a successful claim under the PPI policy, Lloyds Bank PLC can take off what he got for the claim from the amount it owes him.

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

my final decision

For the reasons set out above, I uphold Mr P's complaint.

I require Lloyds Bank PLC to pay Mr P compensation in accordance with the calculation of redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 12 November 2015.

Timothy Bailey
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