



complaint

This complaint concerns the sale of a single premium payment protection insurance (“PPI”) policy taken out in July 2007 in conjunction with a loan. Mr F says that Lloyds TSB Bank Plc (“Lloyds TSB”) mis-sold the policy to him.

background

Mr F took out a PPI policy with Lloyds TSB when he took out a loan. Mr F has given a number of grounds in support of his complaint that this PPI policy was mis-sold to him. Our adjudicator recommended that the complaint should not be upheld. Mr F has asked that an ombudsman consider his case.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. In doing so, I have considered the issues in accordance with our general approach to assessing complaints about the mis-sale of PPI, which is well-documented. This includes taking into account the law and good industry practice at the time the policy was sold. In essence, the questions I need to consider are:

- whether, in giving any advice or recommendation, Lloyds TSB took adequate steps to ensure that the product it recommended was suitable for Mr F’s needs;
- whether Lloyds TSB gave Mr F 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.

If there were shortcomings in the way in which Lloyds TSB sold the policy, I then need to consider whether Mr F is worse off as a result; that is, would he have done something different – for example, by not taking out the policy – if there had been no shortcomings.

Where I cannot say for certain what has happened, I will make my findings on the balance of probabilities, ie what I consider *more likely than not* to have been the case, based on evidence submitted on behalf of both Mr F and Lloyds TSB.

I have considered all Mr F’s grounds of complaint in reaching my decision. I have also considered documents and testimony. On the basis of the evidence before me, I am satisfied that it is reasonable to conclude that the complaint should not be upheld, for largely the same reasons as the adjudicator found.

Mr F’s application for the PPI policy was made when he visited a branch of Lloyds TSB to take out an unsecured loan. The policy sold was to protect the loan repayments and lasted for the same length as the loan. I have seen and carefully considered what has been submitted to me, including Mr F’s testimony, the Demands and Needs statement (YPSOR) and the Credit Agreement.

The adjudicator concluded that the optional nature of the PPI was made clear to Mr F. Mr F has said that the sales adviser told him that he needed to take the PPI or his loan would not be granted and I accept that this may be his recollection of what was said, but

- The product was optional and the adviser would have known that,
- What this service knows of Lloyds TSB advised sales procedures at this time, and of its use of the YPSOR process, tends to suggest that the optional nature of policy was made clear by the adviser, and
- It is possible that Mr F misremembers the recommendation that he buy insurance cover as it was something he could well need if he was unable to work, and has recollected it as him being told that he 'needed' to take out the cover to get the loan - a different deduction of what was said.

And, as I detail below, there is nothing in Mr F's circumstances to suggest that he would not have been interested in taking out the cover if it had been presented as optional. So, without persuasive testimony from Mr F about what was said, in my view, it is more likely than not that Mr F understood that he could make a choice; that the policy was optional, and that it was not required to complete the loan transaction.

Suitability

Because both parties accept that the sale took place on an advised basis – and I agree that it was an advised sale - I have considered whether Lloyds TSB took adequate steps to ensure that the product it recommended was suitable for Mr F's needs. I have carefully considered Mr F's testimony, documents he has submitted about other insurance cover and the YPSOR submitted by Lloyds TSB. I am not persuaded that this particular policy was an unsuitable recommendation for Lloyds TSB to make for Mr F in his own personal situation for the following reasons:

- I have examined the policy literature and, as the adjudicator identified, Mr F's circumstances did not fall within any of the exclusions to the policy.
- By his own admission, Mr F did not tell Lloyds TSB of any other means by which he could meet his monthly repayments and it was entitled to rely on information he did – or did not – supply to it in making a recommendation. In any event, the available evidence of other means is incomplete and conflicting:
 - In his complaint to this service, he said that if he was absent from work through illness he would have received statutory sick pay. Mr F has also said that he could rely on savings – but not in what amount – and family support if he was unable to work. Yet he still appears to have wanted to borrow money so I am not sure of the degree of protection those means of support would be able to afford him if he was in financial difficulties by not being able to work.
 - Those representing him have since said that he was entitled to sick pay from his employers but have not provided documentary evidence of this nor described the terms.
 - Mr F has submitted evidence of other insurance he could have used to repay his monthly loan repayments, but one cover note appears to relate an insurance taken largely to protect his mortgage repayments and the other appears to have been taken out to cover credit – or other - card repayments.

As a result, I am not persuaded by Mr F's testimony that he had sufficient other means of meeting his financial obligations if he was absent from work through illness.

- Although Mr F regularly borrowed money, no information has been presented to me by Mr F or those representing him that he was in the habit of refinancing or was likely to refinance in the two years after he took the loan, so there was no indication that he needed flexibility.
- The policy was capable of providing a benefit for 12 months in relation to unemployment and two years in the event of a claim arising from absence from work through accident or sickness – a benefit greatly exceeding the policy's costs.

Mr F's information needs

Mr F has said that he had insufficient information on which he could make an informed decision about whether to buy the policy and insufficient information about its costs and benefits.

I see that the cost of the policy - broken down into its premium, interest and monthly figures - as well as the cost of the loan, was provided to him in the Credit Agreement. I see too that the term of the policy is the same as the loan and, although it does not specifically say that it is a 'single premium' policy, it is clear that the policy would be paid for in one payment on which interest would be charged. However, I do think that there are information failings – for example, I do not think that the Credit Agreement gives sufficient prominence to Mr F's right to cancel the agreement within the "cooling off" period. And, although the YPSOR indicates that details of the policy were given to Mr F, it is possible that some of the significant limitations and exclusions relating to the policy were not explained as they should have been.

But, while it is possible Lloyds TSB did not provide Mr F with proper information about the policy, I do not think he has lost out as a result. I say this because I am satisfied Mr F wanted the policy (because he chose to take it out knowing he didn't have to) and I think in making his decision he relied on Lloyds TSB's advice, which was suitable. The policy essentially provided him with the type of protection he seems to have wanted and, as I have explained above (when considering its suitability), none of its features would have adversely affected him or reduced the policy's usefulness for him. So I'm not persuaded that better information about the policy would have changed his mind about accepting the adviser's recommendation to take it out.

It follows that I am not able to conclude that Lloyds TSB Bank Plc mis sold the PPI policy to Mr F. Although I appreciate that he will be disappointed by my decision, I hope he can understand the reasons I have given above

my final decision

My final decision is that I do not uphold Mr F's complaint against Lloyds TSB Bank Plc and I make no award.

Christine Vine
ombudsman