

complaint

Mr L, who is represented by a third party, has complained that Lloyds Bank PLC, trading as Lloyds TSB ("Lloyds") mis-sold him a single premium payment protection insurance ("PPI") policy that he bought in 2001, when he was taking out a loan.

He says the policy wasn't explained to him properly and he wasn't given a choice about buying it.

background

Our adjudicator didn't think the policy was mis-sold. Because Mr L disagrees, his complaint has been passed to me for a final decision.

my findings

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 Mr L's case.

I have decided not to uphold this complaint. I'll explain why.

Being a single premium policy, the PPI was paid for through an insurance loan that was added to what Mr L wanted to borrow. The premium for the PPI loan, which Mr L was due to repay over three years, added £306.70 to the amount he was borrowing, plus interest on the PPI loan of £93.80.

Mr L bought the policy at a meeting in a branch. Mr L and Lloyds agree that it recommended that he buy the policy. That means Lloyds had to be sure that the policy was suitable for Mr L's circumstances and give him clear information about it.

I've seen a sample of the loan agreement that was being used at the time Mr L bought the cover. I've seen that it included a section for applying for PPI. Mr L had a choice of filling in a 'yes' or a 'no' box to buy PPI and another one for it to be added to his loan. The policy was described as 'optional loan protection'. Taking into account what Mr L and Lloyds have told us about the sale, plus what I already know about Lloyds' sales processes at the time, I think that on balance Mr L ought to have been aware he had a choice about whether to buy the cover. So I think that Mr L chose to buy the PPI cover. He also decided that the loan costs should be added to the loan.

I've also thought about whether the policy was suitable for Mr L. I can see he was eligible for the policy and I can't see that he was affected by any of the main exclusions.

Mr L has told us that he wasn't entitled to any benefits from his employer if he couldn't work. He also didn't have any other means of funding his monthly payments. I've seen that if he'd made a successful claim, the policy would cover his loan repayments for all the time he wasn't able to work due to accident or sickness, and for up to twelve months if he lost his job. So it was a worthwhile benefit that would give him the reassurance of knowing that his payments would be met at what could be a difficult time for him financially.

The policy provided for a refund on early cancellation of the policy that wasn't proportionate to the time Mr L would have held the policy. This made the policy rather inflexible and was a significant limitation. It's something that should have been brought to Mr L's attention. I don't know if it was. But Mr L has told us he was taking the loan to pay for home improvements. I haven't seen anything to suggest it was going to be used for another reason, such as paying off existing debts. I'm also not aware of anything to make me think that in the past Mr L had refinanced loans or thought about repaying them early, or that he was planning to do so in future. So I think it's more likely that Mr L thought the loan and the cover would run to term when he took them out. So I don't think that being able pay off the loan and the cover early would have been an important factor for Mr L at the time of the sale.

I know that the total cost of the policy would most likely be shown on the loan agreement, together with the monthly repayment and the interest rate payable. So I think given that Mr L signed the loan agreement on the same page as this information, he ought to have been aware of the cost of the PPI at the time he was buying it.

I can see it's possible there may have been some shortcomings in the way this policy was sold but, having looked at the sale carefully, I think Mr L would still have decided to buy the policy if he'd been better advised and informed.

my final decision

For the reason I've explained, I'm not upholding Mr L's complaint against Lloyds Bank PLC, trading as Lloyds TSB.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 1 September 2016.

Michael Goldberg
ombudsman