

## **complaint**

Mr H complains that he was mis-sold a regular premium payment protection insurance ("PPI") policy by Lloyds Bank PLC ("Lloyds").

## **background**

Mr H applied for a credit card with Lloyds in October 1998 and the PPI was purchased as part of the same application. The PPI was designed to protect Mr H's card repayments if he could not work through accident, sickness or redundancy. If he made a claim, the insurance would pay 10% of the card's outstanding balance until Mr H returned to work, for up to a maximum of 12 months.

At the time of sale Mr H was self-employed. He says that, if he could not work, he could rely on some savings that he and his wife held.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have also taken into account the law and good industry practice at the time the policy was sold.

Our general approach to considering complaints about the sale of PPI can be found on our website. It seems to me that this approach deals with the relevant issues I need to consider in this case. The key questions I need to consider therefore are:

- if Lloyds gave any advice or recommendation, did it take adequate steps to ensure the product it recommended was suitable for Mr H's needs?
- and did Lloyds give him information that was clear, fair and not misleading so he was put in a position where he could make an informed choice about the insurance he was buying? and
- if Lloyds did something wrong when selling the policy, I then need to consider whether Mr H would have acted differently if it had not done so.

Further issues have been raised by Mr H and his representatives which I will also consider.

### *how was the insurance sold?*

Mr H says he cannot remember how the insurance was sold to him and Lloyds has not confirmed the position one way or the other. But Lloyds has said that it advised Mr H to buy the policy. This would suggest there was contact between Mr H and Lloyds in order for it to consider his circumstances and give him a recommendation. Mr H's application form is completely filled in by hand and, bearing in mind this appears to have been an advised sale, I think it likely Mr H completed the form with the assistance of someone in branch.

### *did Mr H consent to the addition of the policy?*

Mr H says that the policy was added without him realising. I can see that the application form has a heading of "OPTIONAL FEATURE – PAYMENT PROTECTION PLAN" and, under this, it says: "Do you wish to insure you Gold Card payment in case redundancy, illness or accident should prevent you working?" The basic cost of 77p per £100 of monthly statement

balance is then given. Next to this it says *"I wish to apply for Payment Protection Plan"* and there is then a tick box which is ticked to purchase the PPI.

Mr H's representatives say that *"The box to take the insurance is likely to have been prefilled by the Lloyds TSB advisor"* and further that *"It is highly likely that Mr [H] was simply handed the form, shown where to sign and thus had no idea what he was signing up to."* I note, however, that Mr H says he cannot remember how the insurance was sold to him and I can see no evidence to support this last contention although it may well be that the adviser filled out the form for Mr H.

I was not present at the sale and so obviously cannot know what happened with any certainty. So I will decide this complaint based on what I think is more likely than not to have happened. Having considered the evidence carefully, I think it likely that Mr H did consent to the policy. A significant amount of information (such as Mr H's employment situation and earnings) is recorded on the form and so it is clear that Mr H was asked a number of questions as the adviser went through the application. I notice that just above the question relating to PPI Mr H is asked if he wishes to make his payments by direct debit and *"no"* is ticked and I also note that Mr H declines the offer of a PIN. And it is just below this that Mr H has signed. I think it unlikely that the adviser went through the questions and missed out the PPI only. Additionally, as Mr H has signed on the same page as the PPI, I think it likely he would have seen he was purchasing a separate and optional product and would have queried this had he not consented. Finally, I think it likely that the insurance appeared on Mr H's monthly statements as a transaction and, if he had not agreed to the purchase, that he would have viewed these charges as unauthorised and would have challenged Lloyds about them. There is no suggestion this happened.

From the wording of the application form I am satisfied that Mr H would have realised he had a choice about the purchase and so I think that it likely that he freely chose to purchase the PPI.

*was the policy suitable?*

Mr H says that he did not receive any advice about whether or not to buy the policy. But I also note he says he cannot remember how the policy was sold to him so it seems unlikely that he has a clear (if any) recollection of the sale. Lloyds says it did give Mr H advice. On balance, I think this was an advised sale. This imposes a higher obligation on Lloyds to take adequate steps to ensure the policy it recommended was suitable for Mr H's circumstances and needs.

Mr H's representatives say that the policy was not suitable because Mr H was self-employed. It says that the policy made it more difficult for a self-employed person to claim under the policy than an employed person and therefore the policy should not have been recommended (or, at least, should not have been recommended without Lloyds cautioning Mr H about this). I have reviewed the policy document in use around the time Mr H purchased the PPI and I cannot see that the terms are any different for a self-employed person. Additionally, I cannot see that a self-employed person would inadvertently find it more difficult to claim under the policy. So I do not think that this made the policy unsuitable.

I also think the policy was suitable for the following reasons:

- Mr H was eligible for cover under the policy.
- Because Mr H was self-employed, he had no sick pay or redundancy pay available.

- Even though Mrs H was employed, if Mr H was unable to work the household would suffer an immediate drop in income and the PPI would assist to fill this gap.
- It does not appear on the evidence that Mr and Mrs H had sufficient savings to make them think the policy offered them no value.
- Mr H was not adversely affected by any of the policy's significant or unusual terms.
- The policy does not appear to have been unaffordable for Mr H and the cost and benefit were competitive when compared with other policies available on the market at the time.
- The policy was not otherwise unsuitable.

*was Mr H given information that was clear, fair and not misleading?*

Lloyds also needed to give Mr H sufficient information that was clear, fair and not misleading to allow him to make an informed choice about whether or not to purchase the insurance. I can see that the basic cost is given on the application form along with a general description of the cover. But Lloyds has not been able to give me a sales script for this sale so I do not know what other information was given to Mr H about the policy and when he would have received this. So I cannot be satisfied that Lloyds complied with this obligation.

I must then go on to consider whether Mr H would have made a different choice had he been given clearer information. Taking account of the evidence, I think it likely that Mr H chose the policy because he saw it as offering him some useful cover at an acceptable price and, for the same reasons as the policy was suitable, I think it unlikely that clearer information would have changed his mind about that.

#### **my final decision**

For the above reasons I do not uphold this complaint and I make no award against Lloyds Bank PLC.

Ross Crawley  
**ombudsman**