

complaint

Mr A complains that a term assurance policy was mis-sold to him by Lloyds Bank plc (previously Lloyds TSB Bank plc). Mr A's brother – with whom he was in business – has made a similar complaint which is being dealt with separately. Mr A has also complained that payment protection insurance was mis-sold to him and his complaint about that is being dealt with separately.

background

Mr A and his brother took out a £60,000 business loan with Lloyds in 1992. They were told that they needed a life policy to protect the loan. They each took out a life policy with a sum assured of £60,000 and those policies were assigned to Lloyds. They renewed their overdraft facility with Lloyds in 2000 and were again told that they needed to take out life cover. They each took out another life policy. They complained to Lloyds that the policies had been mis-sold to them. They say that they should not have been required to take out the policies and that they already had cover with other providers. They were not satisfied with Lloyds' response so complained to this service.

The adjudicator did not recommend that the complaint should be upheld. He said that the policies were conditions of the lending which was Lloyds' business decision. He also said that the existing policies held by Mr A in 2000 were not sufficient to protect the overdraft and provided no guarantee that the debts would be repaid if he died.

Mr A has asked for his complaint to be considered by an ombudsman. He says, in summary, that if part of the loan agreement is that he would take out cover to protect the loan, it should be asked: was it really necessary; did he already have sufficient cover; could the existing cover be assigned to Lloyds; and could he have got cover elsewhere rather than through a life company linked to Lloyds?

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 am satisfied that Lloyds required Mr A to take out life cover in 1992 to protect the business loan that was being made. That was a condition of Lloyds' lending and, if Mr A had not taken out the required life cover, it would not have lent the money to his business. That was a commercial decision for Lloyds. This service does not normally interfere with a bank's legitimate commercial decisions. And I see no reason in these circumstances for me to interfere with Lloyds' commercial decision to require Mr A to take out life cover. It was then up to Mr A to decide whether or not he wanted to accept the loan on the terms offered by Lloyds. He took out the policy and accepted the loan. The life cover was consistent with the terms of the loan and I find that it was a suitable policy in the circumstances. I therefore find that Lloyds has not acted unfairly or unreasonably.

When the overdraft facility was renewed in 2000, Lloyds listed the security that it required. That security was a condition of the overdraft facility being renewed. Mr A accepted the renewed overdraft on the terms required by Lloyds and he provided the required life cover. The terms of the overdraft were a commercial decision for Lloyds and, again, I do not consider that it would be fair or reasonable for me to interfere with that commercial decision.

Mr A says that he had a life income protector plan which would have provided some protection in the event of his death. But that policy was not assigned to Lloyds and would not necessarily have repaid the loan if Mr A had died. I therefore do not consider that the policy provided suitable protection for the loan. In any event, Lloyds required Mr A to take out other cover and, for the reasons set out above, I do not consider that to have been unreasonable.

I do not consider that it would be fair or reasonable in these circumstances for me to require Lloyds to refund to Mr A any of the premiums that he has paid for the policies or to take any other action in response to his complaint.

my final decision

For these reasons, my decision is that I do not uphold Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr A to accept or reject my decision before 9 November 2015.

Jarrold Hastings
ombudsman