

complaint

This complaint concerns a regular (monthly) premium payment protection insurance (PPI) policy taken alongside a credit card with Lloyds Bank PLC (Lloyds TSB) in 1990. Mrs W considers that she was mis-sold the policy.

background

In January 1990 Mrs W applied for a credit card with Lloyds TSB, soon after joining the bank as an employee. A PPI policy was purchased alongside the credit card. The policy included cover for accident, sickness and unemployment. It also included life cover.

Mrs W has complained that she never consented to taking the card and that it was added to the credit card account without her knowledge.

Our adjudicator has considered Mrs W's complaint and has recommended that it should not be upheld. Mrs W does not agree with this finding and has asked that the complaint be referred to an ombudsman for final decision.

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 taken into account the law and good industry practice at the time the policy was sold.

It seems to me that the relevant considerations in this case are materially the same as those set out in the section of our website explaining how we deal with PPI complaints.

The key questions I need to consider, therefore, are:

- whether Lloyds TSB gave Mrs W information that was clear, fair and not misleading in order to put her back in a position where she could make an informed choice about the PPI policy she was buying; and
- whether, in giving any advice or recommendation, Lloyds TSB took adequate steps to ensure that the PPI policy was suitable for Mrs W's needs.

If there were any shortcomings in the way the policy was sold, I need to decide if Mrs W is worse off as a result. That is, would Mrs W be in a different position to the position she finds herself in now if there had not been any shortcomings.

After careful consideration, I have decided not to uphold the complaint. I set out my reasons below.

the basis of the sale

The documentation and information in relation to this sale, which was concluded in 1990, is no longer available. This is understandable given that the sale was conducted more than 24 years ago. Lloyds TSB has told us that the credit card was taken out in January 1990 and this is consistent with Mrs W's recollection.

Lloyds TSB has not been able to find any record of how the sale took place. However, Mrs W has told us in her complaint that the sale took place at a meeting. Given that she has also told us that all employees were offered a credit card, it is most likely that the sale did not occur at a formal meeting but rather that the card was simply offered to her in the in the course of a face to face discussion that occurred at her office.

Mrs W says that she was not given any advice in connection with taking out the policy. Lloyds TSB, however, has said that advice would have been provided at the point of sale. As I can only make my decision based on the limited evidence available, I need to decide on a balance of probabilities what is most likely to have happened, given the evidence provided by Mrs W and Lloyds TSB. As Lloyds TSB says that it provided Mrs W with advice, I am prepared to consider this as an advised sale based on the evidence provided by Lloyds TSB. I will therefore consider whether the policy was a suitable recommendation for Mrs W and whether the information provided to her was clear, fair and not misleading.

was the policy added to Mrs W's credit card without her knowledge?

Mrs W has told us that she took out the credit card soon after joining the bank. She says that as an employee of the bank she was 'encouraged' to take the bank's credit card and that taking one out was 'a matter of procedure'. She also says that although she agreed to take out the card, she had no intention of using it. Mrs W also says that she only discovered she had the cover when she started using it and noticed that premiums were being deducted for it, whereupon she asked Lloyds TSB to cancel the policy immediately.

Mrs W has also told us that she did not consent to having the PPI and that it was therefore added to the credit card account without her being asked. She has said:

"The essence of my complaint is that, as a new employee, I was encouraged and consented to apply for a credit card. At no time was I asked if I wanted a PPI policy to go with it."

Given the length of time that has passed since the sale, I am not satisfied that Mrs W's testimony alone is sufficient to persuade me that she did not consent to taking out the policy. I accept it is possible that the Lloyds TSB representative did not make the optional nature of the PPI policy clear or added it without Mrs W's knowledge. However, taking everything above into account I have not seen sufficient evidence to persuade me that this is most likely to have been the case.

Having considered all the available evidence, and given the time that has passed since the sale and the lack of documentation, I simply cannot find sufficient evidence to show whether or not Mrs W consented to the policy being added to the card or whether she was told that it was optional. It follows that I am unable to find adequate evidence to persuade me that Mrs W did not consent to the policy being added to her card or that she was unaware of its optional nature.

was the policy suitable?

Mrs W has questioned why we are taking into account her personal circumstances at the time because she says her complaint is that she did not consent to taking it. However, because Mrs W took the policy on the basis of a recommendation made to her by Lloyds TSB, it is important that I consider the suitability of the policy in relation to her circumstances at the time. I need to do this in addition to considering whether or not Mrs W consented to take the policy.

I have seen a sample policy document which Lloyds TSB say was in use at the time of the sale. Although I cannot be certain as to what information was provided to Mrs W, I am satisfied that the sample policy document is representative of the documentation Mrs W would have received from Lloyds TSB at the time.

I see that in the event of a successful claim, the policy provided a monthly benefit of 5%, up to a maximum of £750, for each monthly statement if Mrs W was unable to work due to accident or sickness or in the event of unemployment. This benefit would be payable for up to 12 months.

Having reviewed the available evidence, I am satisfied that the PPI cover was suitable. I say this for the following reasons:

- Mrs W had recently started work at the bank and has told us that whilst she was entitled to receive statutory sick pay, she did not have employer benefits. She therefore had a need for additional cover.
- Whilst I have not been able to identify the eligibility criteria for the particular policy, given that Mrs W was in full time employment, a UK resident and over 18 at the time, I am persuaded that in all likelihood she was eligible for the cover.
- I have not seen evidence to suggest that Mrs W would have been subject to any of the limitations or exclusions of the policy such as pre-existing medical conditions or unusual employment terms.
- Mrs W had no other apparent means with which to meet her credit card repayments, in the event she could not work.

Mrs W has also told us that she was living at home with her family when she took out the credit card and PPI cover and that because of this she had very little need to have the PPI cover. She has told us that she had minimal expenditure. But circumstances are always subject to change and family members may not have been able to provide on-going financial support for Mrs W if she needed to make a claim. It is also foreseeable that, once she had started working full time, Mrs W would consider funding her own accommodation in which case her monthly outgoings would rise. I therefore cannot see that having this cover would be without merit, taking into account that her financial commitments would steadily increase as she began to establish her working career.

information provided to Mrs W.

Based upon the available evidence, I cannot be sure that Lloyds TSB drew Mrs W's attention all the significant features of the policy. However, it does not automatically follow from this that I should uphold this complaint. To do so, I need to be satisfied that Mrs W has lost out as a result – in other words, that she would have decided not to take out the policy if Lloyds TSB had clearly explained all of its significant features.

As mentioned above, the policy documentation is no longer available and there is no other evidence from the date of sale. Mrs W does not recall receiving any policy documentation whereas Lloyds TSB say that a policy booklet would have been provided to her at the point of sale. It is therefore possible that Mrs W's information needs were not met.

However, I am not persuaded that with a fuller understanding, Mrs W would have acted any would have been a suitable recommendation, as Mrs W had no other means of meeting her credit card repayments in the event that she was unable to work due to accident, sickness or unemployment. I consider it likely that Mrs W would have wanted to have this protection, provided she could do so affordably and with a reasonable prospect of obtaining benefit.

Due to the time that has elapsed since the sale of the policy, Lloyds TSB has not been able to provide precise details of the cost of the PPI. Also, I do not know how the costs were described to Mrs W when she agreed to take out the card and the PPI cover. However, I note that Lloyds TSB have estimated the monthly cost of the policy as falling somewhere within the range of 59p to 79p per £100 of the credit card statement balance. The monthly benefit in the event of a claim for accident, sickness or unemployment was 5% of the outstanding balance for up to 12 months per claim. Whilst I do have some concerns that the cost of the policy was not made clear to her at the time of the sale, I am satisfied that Mrs W would still have decided that the costs for benefits were suitable for her and so would not have been deterred from taking out he policy. It follows that I conclude that Mrs W would still have taken the cover, even if she had been better informed about it.

summary

In summary, I am satisfied that Mrs W ought to have been aware at the time that the PPI cover was being added to her credit card account. I am also satisfied that the policy was a suitable recommendation. Even if, as seems quite possible, the information provided to her at the time could have been clearer, I consider that Mrs W would still have gone ahead and take out the PPI cover.

my final decision

My final decision is that I do not uphold this complaint against Lloyds Bank PLC (trading as Lloyds TSB).

Michael Goldberg
ombudsman