

complaint

This complaint concerns a regular (monthly) premium payment protection insurance (PPI) policy, taken out in June 2003 in connection with a credit card. Mr K says that Lloyds TSB Bank Plc (referred to hereafter as Lloyds TSB) mis-sold the policy. Lloyds TSB has upheld his complaint and offered redress. Mr K says the redress he has been offered is neither correct nor sufficient.

background

The adjudicator concluded there was insufficient evidence to uphold Mr K's complaint. Mr K has asked for the case to be considered by an ombudsman.

In July 2013 I issued a provisional decision to both parties which explained the decision I was minded to take unless either side sent me any further evidence. Lloyds TSB has accepted my opinion of July 2013. Mr K has replied offering further comments on the matter but he has not submitted any information or evidence which I have not previously considered. I have therefore made findings and reached my decision as below.

my findings

Firstly I apologise to Mr K that this complaint has taken so long to be resolved.

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

Mr K received a letter from Lloyds TSB in August 2011 offering him redress of £428.75 in relation to the mis-sale of PPI. Lloyds TSB had sold the PPI to Mr K in June 2003 to cover his credit card payments. It is not in dispute that a mis-sale has occurred and so I will not consider the merits of any issues to do with the sale in this decision. The PPI policy was cancelled in October 2004.

What I have been asked to consider is whether the redress offered to Mr K is in line with the approach of the Financial Ombudsman Service in such cases.

The Financial Ombudsman Service's approach to redress is given on our website. The overall intention of the approach is to put the consumer back in the position he or she would have been in if the sale had not been made. For regular (monthly) premium PPI associated with a credit card, where the card account has closed and the PPI has been cancelled as in this case, the Financial Ombudsman Service would ask a business to:

- A. Carry out a hypothetical reconstruction of the credit card account to find out what the closing balance of the credit card account would have been if the consumer had paid the same monthly payments, but the PPI policy had *not* been added to it.

This will involve the business removing the PPI premiums, any interest that was charged on the premiums and any charges (and interest on those charges) that would not have applied if the PPI had not been added to the account.

The business should then pay the consumer the difference between the closing balance and what the closing balance would have been without PPI.

- B. Pay the consumer interest at 8% per year simple on any credit balance for any periods when the reconstructed account would have been in credit for the period it would have been in credit.
- C. Pay the consumer interest at 8% per year simple on the difference between the actual closing balance of their account and the reconstructed closing balance from the date the account closed to the date of settlement.
- D. Set out in writing to the consumer how it has calculated the compensation in A, B and C.

I have reviewed the evidence supplied by Lloyds TSB on how it carried out the calculation leading to its August 2011 offer and it is my view that Lloyds TSB followed the Financial Ombudsman Service's approach in this case. I say this for the following reasons.

It has provided evidence that it followed steps A and B above providing redress of £439.19 and £239.09 respectively. The addition of A and B produced a total of £678.28.

Lloyds TSB says that Mr K made a claim on his policy in 2004 and that he received a payment of £249.53. It is in line with the Financial Ombudsman Service's approach to redress that any claim paid under a PPI policy can be deducted from redress paid due to the mis-sale of that policy. Lloyds TSB deducted the amount of the claim from the total redress it had calculated above and then offered Mr K £429.75.

There was then a delay due to negotiations between the parties, but Lloyds TSB subsequently paid Mr K £463.70 in July 2012 which included interest from the time of the offer up to the time of payment, completing part C of the requirement above.

Mr K has made strong representations to us that he did not make a claim on the policy or receive any claim payment. Lloyds TSB has provided a screen shot from its claims data record which shows that it had received the claim in April 2004, made the payment and closed its case on the claim.

I do not doubt Mr K's honest recollections on this matter but it is over nine years since the claim occurred and I think it is possible that his memory may not be correct.

The evidence provided by Lloyds TSB is tangible and plausible and I am not persuaded that I should discount it. I therefore conclude that it is more likely than not Mr K made a claim of £249.53 on the PPI and that Lloyds TSB paid it.

It follows that I conclude that Lloyds TSB's offer in this case is in line with the Financial Ombudsman's approach to such matters.

my decision

For the reasons set out above my decision is that I do not uphold Mr K's complaint that the redress that has been offered and paid to him by Lloyds TSB Bank plc for PPI on his credit card sold to him in June 2003 is incorrect or insufficient.

Richard Hill
ombudsman