

complaint

Miss B complains that Society of Lloyds ("Lloyds") mis-sold her payment protection insurance ("PPI") when she used their agent to reschedule some debts in 2003.

Although Lloyds didn't sell the PPI directly to Miss B, it has accepted responsibility for the sale.

background

My colleague issued a provisional decision on Miss B's complaint in December 2015. In it, she explained why she intended to uphold Miss B's complaint and asked both Miss B and Lloyds to give her any further information or evidence that they wanted her to consider.

A copy of that provisional decision is attached.

Neither Miss B nor Lloyds has provided anything further in response to the provisional decision.

As my colleague is currently unavailable, I have been asked to take over this case and make a final decision on it.

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 have set out our general approach to complaints about the sale of payment protection insurance on our website and I have taken this into account in deciding Miss B's case.

I have carefully reviewed the entire file on this case, and have decided, for broadly the same reasons as my colleague, that the complaint should be upheld. I have explained my reasons below.

Miss B has told us that she was vulnerable and in financial trouble when she approached a debt-management company for help. Miss B has told us that there were many rules and requirements associated with using the company, and that she thought she had to buy the PPI as part of her agreement with it.

Clearly, I cannot know how – or if – the policy was explained to Miss B during the meeting she had with the company. I can understand why having payment protection insurance might have been considered a sensible recommendation for Miss B given her situation.

But Lloyds still had a duty to ensure that Miss B had enough information about the policy to make an informed decision about whether or not to buy it. And as it was costing her more money – at a time when she was already struggling financially – knowing that she had a choice about buying it would have been important for her to know.

I have looked at the paperwork that has been provided to me from the time, and I cannot see that it showed that the policy was optional. While it is possible that Lloyds' debt-manager explained that Miss B did not have to buy the cover, I think it is very likely that they did not. Miss B is also adamant on that point. While I don't usually decide cases based purely on

testimony, I do not see why Miss B would spend more money at a time when she was already in trouble financially if she didn't feel she had to.

So, for the reasons I have set out above, and following on from the provisional decision issued by my colleague, I uphold this complaint.

putting things right

Lloyds should put Miss B in the position she would be in now if she hadn't taken out PPI. So Lloyds should:

- pay Miss B the amount she paid each month for the PPI;
- add simple interest to each payment from when she paid it until she gets it back. The rate of interest is 8% a year[†];

If Miss B made a successful claim under the PPI policy, Lloyds can take what she got for the claim from the amount it owes her.

[†] HM Revenue & Customs requires Lloyds to take tax from this interest. Lloyds must give Miss B a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons explained, I uphold this complaint. Society of Lloyd's must pay compensation to Miss B as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 17 March 2016.

Roxy Boyce
ombudsman

Extract from provisional decision, issued 23 December 2015.

complaint

Miss B complains that Society of Lloyds ('Lloyds') mis-sold payment protection insurance ('PPI') to her when she rescheduled some debts.

Although Lloyds didn't sell the PPI directly to Miss B, they have accepted responsibility for the sale.

background

PPI was sold to Miss B when she approached a debt management company for help in managing her debts. She told us that when she approached this company, she was in a very vulnerable state and was struggling financially. The company rearranged Miss B's various debts and she paid a monthly administration charge to them. Miss B says she wasn't given an option about PPI and thought that it was a compulsory part of her agreement with the debt management company.

Our adjudicator didn't think the complaint should be upheld. Miss B disagreed with that view and so the matter has been passed to me to make a final decision.

my provisional 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 Miss B's case.

I've provisionally decided to uphold Miss B's complaint and I'll explain why below.

This policy was sold during a meeting between Miss B and the debt management company. I can't know what was said during that meeting. So, I've looked at what Miss B remembers about it and the documentary evidence that's available from the time to help me decide what's likely to have happened. It seems likely to me that what Miss B was told about the policy would have broadly reflected what was in the paperwork.

When PPI was sold to Miss B, Lloyds had to make sure she knew the policy was optional and she didn't have to take it if she didn't want it. Miss B is adamant that this wasn't made clear. She said she was given a form to complete by the debt management company, which she thought was a compulsory part of the service offered by them.

I've looked at the form Miss B would have completed and at no point does it say that the policy was optional. As the papers don't show that Miss B had a choice about this PPI, it follows that I don't think the person who sold her the policy would have made this clear either. I also accept that Miss B was in severe financial difficulties at the time and considering various factors including the cost of this policy, it is not clear to me why she would have bought it unless she thought she had no choice. It follows that I am provisionally persuaded by Miss B's testimony and I don't think it was made clear to her that this PPI was optional when she bought it. That means I provisionally think the policy was mis-sold.

putting things right

Lloyds should put Miss B in the position she would be in now if she hadn't taken out PPI. The policy should be cancelled, if it hasn't been cancelled already, and Lloyds should:

- Pay Miss B the amount she paid each month for the PPI;
- Add simple interest to each payment from when she paid it until she gets it back. The rate of interest is 8% a year†;

- If Miss B made a successful claim under the PPI policy, Lloyds can take off what she got for the claim from the amount owed to her.

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Miss B a certificate showing how much tax it's taken off if she asks for one.

my provisional decision

I have provisionally upheld the complaint and I provisionally require Society of Lloyds to comply with the above *'putting things right'* section.

I now invite all parties to submit any further evidence or comments they wish me to consider by 25 January 2016 after which I will issue a final decision.

Nicola Bowes
ombudsman