

complaint

Mr A's complaint is about the sale of a single premium payment protection insurance (PPI) policy sold in conjunction with a loan in January 2006. Mr A says that Lloyds TSB Bank Plc (Lloyds) should honour a critical illness claim that he submitted in August 2009 and clear the loan.

background

In February 2006 Mr A arranged a loan with Lloyds, at the same time he was sold a single premium PPI policy. The PPI policy provided Mr A with cover against accident, sickness and unemployment as well as critical illness cover and life insurance. The loan in part refinanced an earlier loan and Mr A borrowed some additional funds he needed to move home. At the time Mr A was suffering from a serious pre-existing medical condition which Lloyds had been made aware of.

Between 2006 and 2009 Mr A made two successful claims on the PPI policy, my understanding is that these were for accidents that he suffered.

In August 2009 Mr A's existing medical condition worsened and he submitted a critical illness claim on the PPI policy which was declined. This was because the PPI policy contained an exclusion meaning that it did not cover Mr A's pre-existing condition.

Mr A complained to Lloyds and in March 2010 it upheld his complaint in part. Lloyds said that the PPI policy should not have been sold to Mr A and offered to return Mr A to the position he would have been in if he had not been sold the PPI policy.

Lloyds refunded the premiums (less the amounts Mr A had received for his two successful claims). It also calculated interest at 8% simple and after using some of the redress to restructure the loan, it sent Mr A two cheques. I have looked at the calculation that Lloyds used and it appears to be in line with this service's guidelines.

Mr A remained unhappy with Lloyds' response and brought his complaint to this service. Mr A has said that he would not have taken out the loan if he had been aware that he was not fully covered. Mr A wants Lloyds to pay the claim he submitted in August 2009 and clear the loan.

In December 2012 an adjudicator from this service wrote to Mr A. In her letter the adjudicator explained why she was recommending that Mr A's complaint should not be upheld.

Mr A disagreed with the adjudicator's findings and has requested that an ombudsman consider his complaint.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Lloyds has upheld Mr A's complaint that the PPI policy was mis-sold to him. Because of this Lloyds should put Mr A back into the position he would be in if it had not mis-sold the policy.

Therefore the crux of Mr A's complaint centres on what he would have done in February 2006 if Lloyds had made him aware that the PPI policy would not provide cover for his pre-existing medical condition.

I have little doubt that if Lloyds had made Mr A aware of the significant limitation of the policy then he would not have purchased it. Lloyds has accepted this and has refunded the premium together with interest, and restructured the loan as if it were sold without a PPI policy. This approach is in line with this service's guidelines.

The question which remains is whether Mr A would still have gone ahead with the loan itself knowing he would not be covered for his pre-existing medical condition. To address this point I have looked at the reasons why Mr A applied for the loan.

I can see that the majority of the loan was actually taken out to consolidate and refinance a previous loan taken out in August 2003. This loan was itself taken out to consolidate existing credit card balances. In view of the fact that this was not therefore "new money" that Mr A was borrowing, it is my opinion that he would have gone ahead with this borrowing even without the PPI policy.

Mr A has told us that the additional money he borrowed (£6,000) was used to enable him to move home. I accept that Mr A has told us he would not have borrowed this money if he was not fully covered. However in my opinion it is unlikely that Mr A would have decided against taking out the loan and moving home if he had been told that the PPI policy would not provide him with cover.

Lloyds has also provided a copy of its system notes dating from 2001 to 2009. These records provide a contemporary record of Mr A's contact with Lloyds over this period of time. I can see from these notes that before Mr A was offered the loan in February 2006 Lloyds underwriters carried out affordability checks.

The loan was to be over a term of seven years to reduce the monthly repayments and there is also a note that refers to a restriction on any further borrowing or refinancing for 12 months. I am satisfied that these notes demonstrate that some detailed discussion took place between Mr A and Lloyds at the time he applied for the loan and that Lloyds acted responsibly when considering his loan application.

summary

I sympathise with the position that Mr A finds himself in. However, I have not seen sufficient evidence to persuade me that Mr A would not have taken out the loan in February 2006 if he had been aware that the PPI policy did not cover his pre-existing medical condition. It follows that I do not order Lloyds to pay Mr A's critical illness claim from August 2009 or order it to write off the loan.

I find that Lloyds has calculated redress for the mis-sold PPI policy in line with this service's guidelines. I understand that Mr A did not cash the cheques that Lloyds sent him as part of the redress. If Mr A has still not cashed these cheques then Lloyds should recalculate its redress to date and reissue the cheques to Mr A.

my final decision

My final decision is that I do not uphold Mr A's complaint and make no award against Lloyds TSB Bank Plc.

Steve Thomas
ombudsman