Financial Ombudsman Service

complaint

Mr M says Lloyds Bank PLC mis-sold him a payment protection insurance (“PPI”) policy.

background

This complaint is about a credit card PPI policy taken out in 1995. The policy was added to Mr M’s credit card account when he applied for the card.

Our adjudicator upheld the complaint. Lloyds disagreed with the adjudicator’s opinion so the complaint has been passed to me.

my findings

I’ve considered all the available evidence and arguments to decide what is 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 Mr M’s case.

I’ve decided to uphold Mr M’s complaint because Lloyds recommended the policy to Mr M but I don’t think it was suitable for him. This is because Mr M had a medical condition when he took out the policy which wouldn’t have been covered.

Mr M has told us that he was diagnosed with the condition a long time ago and that he controlled it with medication. So it’s possible that Mr M’s condition could’ve worsened over time. So I think it’s unlikely he’d have wanted the PPI if Lloyds had made it clear that his medical condition made the policy unsuitable for him. So I think Mr M has lost out because of what Lloyds did wrong.

I’ve taken into account Lloyds’ comments, including what it said about wanting more information about Mr M’s condition. But I still think I should uphold the complaint.

what Lloyds should do to put things right

Lloyds should put Mr M in the financial position he’d be in now if he hadn’t taken out PPI.

A. Lloyds should find out how much Mr M would have owed when he closed his credit card account if the policy hadn’t been added.

   So, it should remove the PPI premiums added, as well as any interest charged on those premiums. It should also remove any charges that were caused by the mis-sale of the PPI – as well as any interest added to those charges.

   Lloyds should then refund the difference between what Mr M owed when he closed his account and what he would have owed if he hadn’t had PPI.

   If Mr M made a successful claim under the PPI policy, Lloyds can take off what he got for the claim from the amount it owes him.

B. Lloyds should add simple interest on the difference between what Mr M would have owed when he closed his account from when he closed it until he gets the refund. The interest rate should be 15% a year until April 1993 and 8% a year from then on. †

C. If – when Lloyds works out what Mr M would have owed each month without PPI – Mr M paid more than enough to clear his balance, Lloyds should also pay simple interest on the extra Mr M paid. And it should carry on paying interest until the point when Mr M would've owed Lloyds something on his credit card. The interest rate should be 15% a year until April 1993 and 8% a year from then on. †

D. Lloyds should tell Mr M what it's done to work out A, B and C.

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

my final decision

For the reasons I've explained, I uphold Mr M's complaint.

Lloyds Bank PLC should pay Mr M compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 2 November 2015.

Claire Marsh
ombudsman