

## **complaint**

This complaint concerns the sale of a regular premium payment protection insurance (“PPI”) policy taken out in 2002 in connection with a credit card issued by Lloyds Bank PLC trading as Lloyds TSB Bank (“Lloyds”). The sale occurred in a branch office on completion of a form and Mr B complains the policy was mis-sold to him.

## **background**

The adjudicator recommended the complaint should be upheld on the basis that the cost and benefit information was not sufficiently clear for Mr B to make his own informed decision. Lloyds disagreed with the recommendation and asked for the matter to be referred to an ombudsman.

## **my findings**

I have included only a brief summary of the complaint above, but 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. In doing so I have also 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 PPI section in our website. The overarching questions I need to consider, therefore, are:

- whether in giving any advice or recommendation, Lloyds took adequate steps to ensure that the product it recommended was suitable for Mr B’s needs and
- whether Lloyds gave Mr B information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying.

If there were shortcomings in the way in which Lloyds sold the policy, I must also be satisfied that Mr B is worse off as a result; in other words, that he would have done something different – ie not taken out the policy – if there had been no shortcomings.

I have decided to uphold Mr B’s complaint for the reasons I will set out below.

Mr B bought the PPI in 2002 when he applied for a credit card in a branch office of Lloyds. Mr B can’t recall if the sale was advised or not. Lloyds tells us this was an advised sale to purchase life cover and accident, sickness and unemployment cover. On balance, I don’t need to decide whether the sale was advised as there is insufficient evidence to persuade me that Mr B received clear information about the policy so that he could make an informed decision.

In my view, the shortcoming in this sale was that the information Lloyds gave Mr B about the cost and benefit of the policy was not as clear as it should have been. Lloyds has been unable to produce any documentation from the sale and agrees the lack of information was a shortcoming of the sale. I have seen the credit card agreement which Lloyds tells us was completed by Mr B but I don’t know what other information might have been given to Mr B apart from the application form at the time of the sale. Neither do I know what the Lloyds adviser may have said to Mr B at the meeting. I can see however that no cost or benefit information appears on the face of the application form and also, the form does not appear to direct the customer to read another leaflet for more information about the PPI.

Lloyds tells us Mr B was eligible for the policy which cost 77p per £100 of the outstanding credit card balance in return for 5% of the outstanding balance to be paid every month up to a maximum of 12 months. The 12<sup>th</sup> payment would clear the original outstanding balance.

However, even if he had been given those basic details, Mr B may not have completely understood the cost of the policy in real terms based on his future spending. It also may not have been clear that he would be required to pay for the premiums during any period of claim which would reduce the actual value of the benefit he would enjoy. He also may not have been aware that the premiums would be added to his outstanding balance and would therefore potentially attract interest.

I think all of these details about the cost and benefit would have mattered to Mr B because he tells us:

- he would have received six months' full pay and six months' half pay from his employer if he had been absent from work due to ill health and
- he could receive a redundancy package;
- he also had the equivalent of three to six months' salary in savings.

It seems to me that if the cost and benefit information had been made clearer to Mr B, I don't think he would have thought the policy provided him with much value over and above his employee benefits and savings – particularly when he could only receive a benefit of 5% of his outstanding balance. Lloyds points out that there is some ambiguity surrounding Mr B's other funds but I am persuaded that he has been consistent when telling us about them.

In summary, I am satisfied that Lloyds failed to inform Mr B properly for him to make his own informed decision. I also think Mr B has been disadvantaged as a result of Lloyds' failings in this case, because I find it unlikely in his circumstances that he would have gone ahead with the policy if he had been properly informed.

It follows that I will uphold this complaint.

### **my final decision**

My final decision is that I uphold this complaint and I make an award against Lloyds Bank PLC. Mr B should be put back in the position he would have been in now if he had taken out the credit card without the PPI policy. I understand the PPI policy has already been cancelled, so Lloyds Bank PLC should:

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

This will involve Lloyds Bank PLC 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.

Lloyds Bank PLC should then pay Mr B the difference between the current balance and what the current balance would have been without PPI.

B. Pay Mr B interest at 8% per year simple<sup>†</sup> 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. Set out in writing to Mr B how it has calculated the compensation in A and B.

<sup>†</sup> I understand Lloyds Bank PLC is required to deduct basic rate tax from this part of the compensation. Whether Mr B needs to take any further action will depend on his financial circumstances. More information about the tax position can be found on our website.

Mr B should refer back to Lloyds Bank PLC if he is unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

Amrit Mangra  
**ombudsman**