

complaint

Ms R complains about a regular premium payment protection insurance (“PPI”) policy added to her secured business loan. She approached Lloyds Bank Plc (“Lloyds”) to arrange a business loan in April 2010. She complains on the basis that she was mis-sold the PPI.

background

Lloyds did not uphold Ms R’s complaint. Upon bringing her complaint to this service an adjudicator has also not upheld her complaint. Ms R has now asked for an ombudsman to provide a final decision in relation to this matter.

my findings

I have only included a brief summary of the complaint details above. However, I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. In doing so I have also taken into account the law, regulations and good industry practice at the time the policy was sold.

The key questions I will consider in this case are as follows:

- Whether Lloyds gave Ms R information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the insurance she was buying.
- If Lloyds was giving advice or making a recommendation, whether it took adequate steps to ensure the product being recommended was suitable for Ms R’s needs.

If there were shortcomings in the way in which Ms R was sold the policy, I will also consider whether she is worse off as a result; that is, would she have done something differently – such as not taken out the policy – if there had been no shortcomings.

I have decided to not uphold this complaint. I shall explain why.

basis of sale?

It is clear from the documentation that Lloyds recommended this policy to Ms R during a meeting. Lloyds had to ensure therefore that the advice they gave to Ms R to purchase the PPI was suitable for her circumstances at the time. Lloyds also had an obligation to provide her with clear and fair information about the PPI.

did Ms R have a clear choice about the PPI she was purchasing?

I am persuaded that Lloyds sold this policy as optional. I shall explain why. I can see from the Keyfacts document concerning the loan that Ms R was “...not obliged to take out any insurance through Lloyds TSB Bank Plc”. Secondly at section 9 of this document the box is titled in bold “**Optional Insurance**” in this section it is recorded that:

“you have chosen to take the following insurance:

1. *Business Loan Repayment Insurance*”

And the cost is then disclosed to Ms R as £44.98 for 120 months. The Keyfacts document titled "*business offer document*" again replicates the above information in exactly the same way. The Business Loan Repayments Insurance Summary also explains that the insurance is optional and not a condition of securing the lending facility. Furthermore, the document entitled "*Your Summary and Recommendation for Optional Business Loan Repayment Insurance*" records that Ms R wanted the insurance and has selected "Yes" to the two questions "*would you like repayments made for you...as a result of accident or sickness...?*" and "*would you like your balance to be paid off in the event of death?*" Finally, the Business Loan Agreement itself has a selection box for "Yes" or "No" as to whether the "optional" PPI is to be taken. There is a clear handwritten cross in this box. I am persuaded having considered all of the documentation that Ms R wanted this insurance and chose to add the PPI to her business loan having had the free choice to do so.

was the recommendation suitable?

Ms R was borrowing a substantial sum of money secured against her home. The purpose of the loan was to set up a new business venture having been made redundant from her previous role. I have been told that she was aged between 18 and 70 and was in good health at the time of the sale. She was also resident within the UK. From the indicative policy I have seen I am persuaded that she would have been eligible for the PPI. As a monthly policy and having been in work once the business was running I can see that Ms R would have worked the necessary 16 hours or more per week.

Ms R has told me that she was in good health at the time so she would not have been caught by any restrictions or limitations that restricted the PPI benefits due to any pre-existing medical conditions. She therefore could expect to gain from the accident and sickness cover the PPI protected her for. Ms R has confirmed in her consumer questionnaire that she also knew the PPI was only protecting her for accident and sickness and that it did not cover her for anything else such as unemployment through business failure. As the loan was for a substantial sum of money and was secured against her home I am persuaded that the PPI would have been of use to her if she was unable to work. I say this because Ms R has also told me that she had no other means of meeting her repayments such as savings or any other insurances. I can see that the monthly repayment of the loan was significant and I cannot safely say that Ms R would have been able to make her repayments without the assistance of the PPI if she was unable to work. In this sense, the PPI would have provided substantial peace of mind as it would have met her monthly repayment in the event of accident or sickness. This would have been for up to 36 months per claim or until Ms R returned to work.

On the whole I am persuaded that Ms R would've found the PPI useful and I have seen no evidence which suggests to me that it was unaffordable for her at the time of the sale. I am satisfied that the recommendation to purchase the PPI was suitable for her.

was the information clear and fair?

I can't say for sure what was discussed during the meeting with Ms R. I wasn't there and too much time has passed since. However, even if the information wasn't as clear as it should've been, I am persuaded that Ms R would still have taken the PPI if the information was given to her in a clearer fashion.

She was in good health at the time and wouldn't have been affected by any exclusions restricting claims for pre-existing medical conditions. Ms R also did not have any other

means of meeting her repayments, so the benefits would've assisted if she was unable to work due to accident or sickness. This would've provided her with substantial peace of mind as the loan was secured against her home. I haven't seen any evidence either which suggests to me that the PPI was unaffordable for her at the time of sale. So, even if Ms R was given all of the information about exclusions, the benefits of the PPI and its cost, I don't think she would've done anything different. Such information would've simply pointed out to her that it was something she would be interested in.

I am persuaded that Ms R chose the PPI and wanted the protection, that the recommendation was suitable for her at the time and that even if the information wasn't as clear as it should've been, she would still have chosen the policy if she was given better information.

For these reasons I do not uphold this complaint.

my final decision

I do not uphold this complaint and I make no award against Lloyds Bank Plc.

Daniel Lucas
ombudsman