

complaint

This complaint is about a single premium payment protection insurance policy ('PPI') sold in conjunction with a loan (to buy a car) in 2001. Mr B says that Lloyds TSB Bank Plc mis-sold the policy.

my findings

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

The questions I need to consider in a case like this are:

- whether Lloyds TSB 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;
- whether, in giving any advice or recommendation, Lloyds TSB took adequate steps to ensure that the product it recommended was suitable for his needs.

If there were shortcomings in the way in which Lloyds TSB sold the policy, I then need to consider whether Mr B is worse off as a result; that is, would he have done something different – i.e. not taken out the policy – if there had been no shortcomings.

Lloyds TSB says that it advised Mr B to purchase the policy. So not only did Lloyds TSB need to provide Mr B with clear, fair and not misleading information, it also needed to take reasonable steps to ensure that the policy was suitable for his needs.

the optional nature of the policy

Mr B says he took out this loan in a Lloyds TSB branch. And his representative says that the optional nature of the policy was not made clear to Mr B. Unfortunately there is limited documentation from the time of the sale, and I have seen no records of the discussion that took place between the Lloyds TSB adviser and Mr B.

But I have seen a copy of the credit agreement Mr B signed which has a separate section relating to PPI which it describes as '*Optional Loan Protection*'. I recognise this has a pre-populated cross in the box requesting PPI. However, if agreement had already been gained from Mr B for this I would not find it unusual for the box to be pre-populated. In addition the terms and conditions on the loan agreement refer to the optional nature of the policy, and also confirm that: '*this clause only applies if you have opted for optional Loan Protection*'.

I am also mindful of the fact the sale took place 12 years ago and it is perhaps inevitable the passage of time will make exact recall of what took place more difficult. In addition, if this was a recommended sale Lloyds TSB would have been entitled to tell Mr B that he should (but not must) take out this policy. And there is no indication on his credit agreement that taking out the policy would assist with his loan application. So, while I appreciate I cannot know for sure what was said at his meeting, I do not consider his submissions are strong enough to enable me to safely conclude he was not aware of the optional nature of the policy.

was the policy suitable for Mr B?

The policy did contain significant exclusions and limitations, for example relating to pre-existing medical conditions, which should have been considered as part of an assessment of suitability. I am not clear this was done. And I only have very limited information on his circumstances at the point of sale, as Mr B and his representative have not provided much information in this area. However, I have seen nothing to indicate he would have expected to be significantly affected by any of the main exclusions that might limit the usefulness of this type of policy (in the event he needed to make a claim). For example, I have seen no evidence to suggest he was suffering from any pre-existing medical conditions or was self employed.

And the policy would have provided cover for the full term of the loan in the event of accident or sickness and it would have provided 12 months cover in the event of involuntary unemployment. I have seen nothing to suggest Mr B did not have a need for the protection offered by this policy and I cannot therefore conclude it would have been inappropriate of Lloyds TSB to recommend it to him.

There is also some evidence to show that information about the cost of cover was disclosed to Mr B at the time. The credit agreement sets out the single premium amount, the monthly cost without the premium, the monthly cost of the premium and the total monthly cost. It also provides information about the interest rate to be charged on the total loan. I appreciate it does not explain how much interest the single premium would attract or what the total cost of this would be. However, I consider it was sufficient to make Mr B aware of the key information about the cost of the policy. And, as he has signed the agreement, I cannot safely conclude he found this unacceptable or unaffordable.

did Lloyds TSB meet his information needs?

I have also considered the information provided about the policy to Mr B. I understand he should have been provided with the policy summary and policy document, but I do not know whether the information these contained would have been clear to him. For example the way it was presented might have led him to overlook important elements. However, for the same reasons as set out above, I do not believe that even if he had been provided with clearer information he would have decided against taking out the policy.

summary

For the reasons set out above, I cannot safely conclude Mr B was not aware of the optional nature of this policy or was pressured into taking it out. I am satisfied it would have been a suitable recommendation for him. And I am not persuaded that, even if clearer information had been provided to him, he would have decided against taking it out.

my decision

For the reasons set out above, I do not uphold this complaint and make no award against Lloyds TSB Bank Plc.

Andrew Macnamara
ombudsman