

complaint

This complaint is about a credit card payment protection insurance ('PPI') policy taken out in 2002. Ms K says Lloyds Bank PLC (trading as Lloyds TSB) mis-sold her the PPI.

my findings

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

Ms K has said that she took this policy out during a meeting. But the evidence I've seen is that this policy was taken out via a postal application. I say this because I've seen a copy of Ms K's application and it has her personal details such as her name and address pre-printed on it. It also refers to returning the application by post.

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 Ms K's case.

I've decided the policy wasn't mis-sold because:

- I think Lloyds made it clear that Ms K didn't have to take out the PPI and she chose to take it out – although I can understand why she may not remember this.

I say this because I've seen a copy of Ms K's credit card application form. Section 2 on the form is titled '*Optional features.*' It has options for additional products and services, including PPI. There are two options for PPI. There's a 'Yes' option to accept it and a 'No' option to decline it. There's a tick next to the 'Yes' option and Ms K has signed the form. So I think this indicates what she wanted.

- Lloyds didn't recommend the PPI to Ms K so it didn't have to check if it was right for her. But it did have to make sure Ms K got the information she needed to decide if it was right for her.
- It's possible the information Lloyds gave Ms K about the PPI wasn't as clear as it should've been. But she chose to take out the PPI - so it looks like she wanted this type of cover.

Based on what I've seen of her circumstances at the time it doesn't look like she was affected by any of the exclusions to or limits on the PPI cover - so it would have been useful for her if something went wrong. It also looks like the PPI was affordable. So I don't think better information about the PPI would have put her off taking out the cover.

- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Ms K.

But Lloyds will pay back *some* of the cost of the PPI to Ms K because:

- When the policy was sold, Lloyds expected to get a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Ms K about that. Because Lloyds didn't tell Ms K, that was unfair.

- To put that right, Lloyds has basically offered to pay back the amount of commission and profit share that was above 50% of the PPI premium - and I think that offer is fair in this case.

I've thought about everything Ms K has said - including what she's said about not needing PPI due to her existing means of making her repayments.

Ms K has told us that she had no sick pay (apart from the statutory entitlement) or savings she could've used to make her card repayments if she had to stop working unexpectedly.

So, even though the policy benefit was comparatively lower than some other policies, costing a similar amount sold around this time, based on what I know about Ms K's circumstances it looks like it could still have been useful to her. And I don't think better information would've stopped her buying it.

Ms K has said that she wasn't told that she could purchase PPI from other businesses. But Lloyds weren't obliged to tell Ms K about other policies sold by other businesses. And, if Ms K's circumstances changed and she or she no longer wanted or needed the policy, she could cancel it at any time without losing out – as she paid for it by a monthly premium.

So these points don't change my decision.

what the business needs to do

Lloyds has to pay back to Ms K any commission and profit share it got that was more than 50% of the PPI premium. Lloyds should also pay back to Ms K any extra interest she paid because of that.

Lloyds should re-work the credit card account and pay back to Ms K the difference between what she owes and what she would've owed if the commission and profit share it got hadn't been over 50% of the cost of the PPI. Lloyds should also pay Ms K 8%* simple interest if Ms K paid off her credit card at some point.

*Businesses have to take basic rate tax off this interest. Ms K can claim back the tax if she doesn't pay tax.

my final decision

The PPI policy wasn't mis-sold – so Lloyds Bank PLC does not have to pay back all of the cost of the PPI to Ms K.

But Lloyds Bank PLC does have to pay back to Ms K any commission and profit share it got that was more than 50% of the PPI premium.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms K to accept or reject my decision before 19 October 2018.

Daniel O'Shea
ombudsman