

complaint

This complaint is about a payment protection insurance (“PPI”) policy taken out in 2010 with a loan. Mr and Mrs M says Lloyds Bank PLC, trading as TSB (“Lloyds”) mis-sold them 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.

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 and Mrs M's case.

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

- Mr and Mrs M told us they thought the PPI was compulsory and that they were given the impression the likelihood of obtaining the loan would be improved with the PPI taken. But I think Lloyds made it clear that Mr and Mrs M didn't have to take out the PPI and they chose to take it out – covering Mr M only as the first named borrower. Although I can understand why they can't remember this. I say this because Lloyds has given us a copy of the loan agreement Mr and Mrs M saw and signed. There's a section for PPI and the box has been ticked to say the policy was wanted. Mr M has also signed in this section to take out PPI.

Mr and Mrs M have said the loan agreement didn't give them the option to decline the PPI and have referred us to the arrows on the form indicating where to sign. They've said this indicated that they must sign within the areas marked. Having looked at the loan agreement, I agree there are arrows pointing to signature boxes. But based on the wording used in the section for PPI I think they would have known they didn't have to sign as it describes the insurance as optional. So had Mr and Mrs M not wanted to take out the policy they didn't have to tick the box. Mr M could've left that section blank and not signed to say he wanted PPI. I've not seen anything in the loan agreement which suggests the policy was compulsory or that it would improve the likelihood of the loan being accepted.

So based on what I've seen and been told, I think Lloyds made Mr and Mrs M aware they didn't have to have the policy and that they agreed to take it.

- Lloyds recommended the PPI to Mr and Mrs M so it had to check that the PPI was right for Mr M, who the policy covered. And based on what I've seen of his circumstances at the time, I think that it was. For example he wasn't affected by any of the exclusions to or limits on the PPI cover and he seem to have had a need for the cover.
- It's possible the information Lloyds gave Mr and Mrs M about the PPI wasn't as clear as it should've been. But they chose to take it out – so it looks like they wanted this type of cover. And it seems like it would have been useful for them if something went wrong. It also looks like it was affordable. So I don't think better information about the PPI would have put them off taking out the cover.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr and Mrs M.

But Lloyds will pay back *some* of the cost of the PPI to Mr and Mrs M 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 Mr and Mrs M about that. Because Lloyds didn't tell Mr and Mrs M, 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 Mr and Mrs M have said - including what Mr M has said about his employee benefits. Mr M has told us he had generous sick pay benefits at his manager's discretion. This meant the level of sick pay and, the length of time Mr M would have received sick pay for wasn't guaranteed as it would have been for his manager to decide at the time. Mr M's also told us he had no savings but that he could have relied on Mrs M to make the repayments. This policy could have paid out in addition to any sick pay Mr M may have got and, for potentially longer than he would have received it. The policy would have paid up to 12 months in the event he lost his job and up to the remaining term of the loan if he was too unwell to work. And if Mr M lost his job, the joint income would have significantly reduced so having this PPI in place meant Mrs M could use her income for other important expenses while the policy covered the loan repayments. So I think they could have found the policy useful. So these points don't change my decision.

what the business needs to do

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

Lloyds should pay back to Mr and Mrs M the extra they paid each month because the commission and profit share it got was more than 50% of the cost of PPI. Lloyds should also pay Mr and Mrs M 8%* simple interest on each payment.

*Businesses have to take basic rate tax off this interest. Mr and Mrs M can claim back the tax if they don'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 Mr and Mrs M.

But Lloyds Bank PLC does have to pay back to Mr and Mrs M 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'm required to ask Mr and Mrs M to accept or reject my decision before 24 June 2018.

Staci Rowland
ombudsman