

## complaint

This complaint is about a credit card payment protection insurance (PPI) policy taken out between 1999 and 2000. Mr M says Lloyds Bank PLC (trading as Lloyds TSB) mis-sold him 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 M's case.

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

- Lloyds can't say exactly when the PPI was taken out. I can see that the PPI appeared on Mr M's statements in 2000 which are the first available statements. As the card was sold in 1999 – the policy was taken out at some point between taking out the credit card in 1999 and 2000 when the first records of the PPI appearing on Mr M's statements are available.

Lloyds had to give Mr M a choice about whether or not to buy the policy. Mr M says he wasn't told the PPI was optional. He says he was under the impression he had the PPI attached to get the credit card. Lloyds no longer has a copy of Mr M's credit application. This is understandable as the sale took place a long time ago. But where there is limited information I will make my decision based on what's most likely to have happened.

Lloyds has provided a sample of a credit card application form it says would've been used from around that time. I can't say this is exactly the form that Mr M would have seen but I think this form would be similar to the type of form which was used. The application shows an option to tick a box if Mr M wanted the PPI. And taking into account what we know about these types of sales at the time, I think it's likely that Mr M chose to take out the policy knowing he could have declined it if he didn't want it – although it's understandable if he can't remember that now.

- Lloyds recommended the PPI to Mr M so it had to check that the PPI was right for him – 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 seems to have had a need for the cover.
- It's possible the information Lloyds gave Mr M about the PPI wasn't as clear as it should've been. But he chose to take it out - so it looks like he wanted this type of cover. And it seems like it would have been useful for him if something went wrong. It also looks like it was affordable at the time. So I don't think better information about the PPI would have put him off taking out the cover.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr M.

But Lloyds will pay back *some* of the cost of the PPI to Mr 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 M about that. Because Lloyds didn't tell Mr 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 M has said but these points don't change my decision.

#### **what the business needs to do**

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

Lloyds should re-work the credit card account and pay back to Mr M the difference between what Mr M owes and what he 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 Mr M 8%\* simple interest if he paid off his credit card at some point.

\*Businesses have to take basic rate tax off this interest. Mr M can claim back the tax if he 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 Mr M.

But Lloyds Bank PLC does have to pay back to Mr 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 am required to ask Mr M to accept or reject my decision before 18 July 2018.

Jag Dhuphar  
**ombudsman**