Financial Ombudsman Service

complaint

This complaint is about a credit card payment protection insurance (PPI) policy taken out in 2003. Mr C says Lloyds Bank PLC, trading as Lloyds TSB ("Lloyds") 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 C's case.

And having done so, I've decided the policy wasn't mis-sold. I'll explain why.

Mr C told us the PPI wasn't discussed but simply added to the card. The credit card and PPI were sold during a meeting in branch. This means I can't be sure exactly what was said about the policy at the time. So I've looked at the information that is available to decide what I think is most likely to have happened.

Lloyds has given us a copy of the credit card agreement Mr C completed. It included a section called 'optional features'. In this section there is a question about whether the person applying for the card also wanted to take PPI and equally prominent options to indicate 'yes' or 'no'. An 'x' has been placed in the 'yes' box on Mr C's application. Mr C has also signed the application form to say he consents to the information contained in it – so I think this reflected what he wanted. And I think it was clear that he could have marked the option to say 'no' to PPI if he didn't want it.

I've also thought about what Mr C has said about no discussion taking place about the policy. But as Mr C was taking out additional credit, I think it reasonable that he would have read the application form to make sure he agreed with the information contained in it before he signed it. So had he not been aware what the policy was or didn't want it, I think he would have questioned this with Lloyds at the time and I've not seen anything to suggest that he did.

So, based on what I've seen and been told, I think Lloyds made it clear that Mr C didn't have to take out the PPI and that he chose to take it out – although I can understand why he may not can't remember this now.

Lloyds recommended the PPI to Mr C 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.

The policy could've paid out for up to 12 months if Mr C was unable to work due to accident or sickness. Mr C told us he wouldn't have received any sick pay from his employer if he was too unwell to work but said his partner could've helped if needed. While I appreciate his partner would have wanted to help, support from others isn't guaranteed as their circumstances can also change. And the policy could've also paid out if Mr C lost his job. So I think he could've found the policy useful.

It's possible the information Lloyds gave Mr C 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. So I don't think better information about the PPI would have put him off taking out the cover.

This means Lloyds doesn't have to pay back all of the cost of the PPI to Mr C.

But Lloyds will pay back *some* of the cost of the PPI to Mr C 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 C about that. Because Lloyds didn't tell Mr C, 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 C has said – but for the reasons mentioned above these points don't change my decision.

what the business needs to do

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

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

*Businesses have to take basic rate tax off this interest. Mr C 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 C.

But Lloyds Bank PLC does have to pay back to Mr C 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 C to accept or reject my decision before 27 July 2018.

Staci Rowland
ombudsman