

complaint

This complaint is about a credit card payment protection insurance (PPI) policy taken out in 1997 or shortly after. Mr L says Lloyds Bank PLC (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 L's case.

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

- I think Lloyds made it clear that Mr L didn't have to take out the PPI and he chose to take it. Lloyds has not been able to give us all of the paperwork from the time of the sale but I don't find this surprising because it was around 20 years ago. And Lloyds also can't confirm the date of sale but it seems likely it was at the same time or shortly after the credit card start date.

Lloyds has been able to give us a sample of the credit card agreement it would have used at the time the credit card was sold. In section 7 of the application which is entitled '*TSB Credit Card Payments Insurance*' there is a box that would need to be ticked if the PPI was to be taken. As it was added to the account, I think Mr L ticked the box to take it. And from what we know of Lloyds's sales practices around that time and after, it seems more likely it would have been clear to Mr L that he didn't have to take the policy – he had a choice about it.

- Lloyds says it recommended the PPI to Mr L 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.

Mr L has told us he was employed at the time of the sale and would receive employee benefits if he was made redundant but only statutory sick pay if he wasn't able to work because of illness. If he had made a successful claim the policy would have paid up to 10% of the outstanding balance on his credit card every month, and it would have done this for up to 12 months. It also provided life cover. I think Mr L would have found the benefits useful if he wasn't able to work because of illness or lost his job. So he seems to have had a need for the cover.

Mr L recalls being told taking the policy would be in his best interests. And looking at his personal circumstances at the time of the sale I don't think it was unsuitable for him.

- It's possible the information Lloyds gave Mr L 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.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr L.

But Lloyds has to pay back *some* of the cost of the PPI to Mr L - and I understand this has already been done - 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 L about that. Because Lloyds didn't tell Mr L, 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 L has said - including what he has said about not being aware the policy was optional and thinking the PPI charges on his statement were for other costs. But because of what I have said above, these points don't persuade me to change my decision.

what the business has done

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

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

*Businesses have to take basic rate tax off this interest. Mr L 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 L. But Lloyds Bank PLC does have to pay back to Mr L any commission and profit share it got that was more than 50% of the PPI premium. I understand this has been done.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 30 April 2018.

Catherine Langley
ombudsman