

complaint

This complaint concerns a regular, monthly premium payment protection insurance (PPI) policy taken out alongside a credit card in April 2002. Mr H says Lloyds TSB Bank PLC mis-sold the policy.

background

I set out the background to this complaint and my initial conclusions in my provisional decision of June 2014.

Subject to any further representations by Mr H, his representative, or Lloyds TSB, my provisional decision was that I was minded to uphold Mr H's complaint because he would have found it difficult to make a claim for unemployment under the policy.

This was because at the time he applied for the credit card, he didn't have an unconditional right to live and work in the UK.

The policy defined unemployment as:

"Having no paid work.....and having a current Jobseeker's Agreement with the Employment Service or Benefits Agency in the UK..."

But Mr H had leave to remain in the country subject to certain conditions which I think would have made it difficult for him to satisfy the conditions for making a claim on the PPI if he was unemployed. He wasn't allowed to claim any welfare benefit or start a new job without the consent of the Secretary of State for Employment.

I thought that it would probably have been more difficult for Mr H than it would have been for a British citizen to enter into a Jobseekers Agreement, which he was required to do if he wanted to make a claim for unemployment under the policy. This is because it is a scheme designed for people wanting to claim Jobseeker's Allowance, which Mr H wasn't entitled to.

Mr H would have benefitted from some other aspects of the policy. But I didn't consider that Lloyds TSB did enough to draw Mr H's attention to the fact that he'd most likely be caught by significant limitations when he took out the policy.

The credit card application form gives some limited information about the policy and Lloyds TSB says Mr H would have been given a policy booklet together with the application. But the application form did not mention this booklet or explain that it was important Mr H read it, before he agreed to take out the policy. And even if he had looked at the policy booklet, I didn't think this did enough to draw his attention to what he would need to do to make a successful unemployment claim. I wasn't satisfied that he would have taken out the policy had he been aware of this.

I felt that Mr H had been disadvantaged as a result of the bank's failings in this case, because I didn't think he would have taken out the policy if the limitations had been brought to his attention.

After my provisional decision was sent to the parties, Mr H's representative confirmed he had nothing further to add. And Lloyds TSB confirmed it was now prepared uphold Mr H's complaint, without admission of liability.

my findings

As neither party has provided any further information to alter my opinion of this complaint, I see no reason to depart from my provisional findings. I therefore uphold this complaint.

fair compensation

From the evidence I have seen in this case, it seems to me most likely that if Mr H had not purchased this PPI policy, he would still have taken out the credit card. So Mr H should be put back in the position he would have been in had the PPI policy not been sold.

My understanding is that the PPI ended when the credit card account was closed (but if not, then the PPI policy should be cancelled if it has not been cancelled already) and Lloyds TSB should:

- A. Carry out a hypothetical reconstruction of the credit card account to find out what the closing balance of the credit card account would have been if Mr H had paid the same monthly payments, but the PPI policy had *not* been added to it.

This will involve Lloyds TSB removing the PPI premiums, any interest that was charged on the premiums and any charges (and interest on those charges) that would not have applied if the PPI had not been added to the account.

Lloyds TSB should then pay Mr H the difference between the closing balance and what the closing balance would have been without PPI.

- B. Pay Mr H interest at 8% per year simple[†] on any credit balance for any periods when the reconstructed account would have been in credit for the period it would have been in credit.
- C. Pay Mr H interest at 8% per year simple[†] on the difference between the actual closing balance of his account and the reconstructed closing balance from the date the account closed to the date of settlement.
- D. Set out in writing to Mr H how it has calculated the compensation in A, B and C.

[†] I understand Lloyds TSB is required to deduct basic rate tax from this part of the compensation. Whether Mr H needs to take any further action will depend on his financial circumstances. More information about the tax position can be found on our website.

Mr H should refer back to Lloyds TSB if he is unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

my decision

For the reasons I have explained, I uphold this complaint. I direct Lloyds TSB Bank PLC to pay Mr H compensation in accordance with the calculation of redress set out above.

Susan Webb
ombudsman