

complaint

Mr N complains that he was mis-sold a regular premium payment protection insurance (“PPI”) policy by Lloyds TSB Bank PLC (“Lloyds TSB”) taken in connection with a credit card in 1997. Mr N is represented by a claims management company.

background

The adjudicator concluded that the complaint should be rejected. Mr N does not agree with the adjudicator’s view and so the matter has been referred to me for a final decision.

my findings

I have provided only a brief summary of the complaint above but, in reaching my decision, I have carefully considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this case. I have also taken account of the law and good industry practice at the time the PPI policy was sold.

It seems to me the relevant considerations in this case are materially the same as those set out in our well-established general approach to complaints about the sale of PPI, which is published on our website. The key questions I need to consider therefore are:

- whether, in giving any advice, Lloyds TSB took adequate steps to ensure that the product it recommended was suitable for Mr N’s needs; and
- whether Lloyds TSB gave Mr N information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying.

If there were shortcomings in the way in which Lloyds TSB sold the PPI policy, then I need to consider whether Mr N was worse off as a result. That is, would he have done something differently – such as not taken out the policy – if there had been no shortcomings?

I should first start by saying that the sale took place almost 17 years ago. I have some documentary evidence available from the time but it is not surprising this may not be complete. Mr N has also provided his recollections of taking out the credit card and the PPI policy, but these may well have been affected by the passage of time. So, where Lloyds TSB and Mr N are not in agreement on a particular point, I will carefully review all the available evidence and testimony to reach a conclusion on the balance of probabilities – that is, what I consider more likely than not to be the case.

was Mr N pressured into taking out the PPI policy?

Mr N says, via his claims management company, that he felt under pressure to take out the insurance policy.

Mr N’s recollection is that the credit card application and PPI sale took place during a meeting. However, Lloyds TSB says it was taken out via a direct mail sale. I have looked very carefully at a copy of the TSB Trustcard application form Mr N signed at the time. Mr N’s name and address are pre-populated but the rest of the form has been completed in manuscript. At the top of the form, there are pre-printed instructions for the applicant to complete the details and return the form in the envelope provided.

Although I cannot exclude the possibility that the application form was completed during a meeting, the features of the form I have described mean I think it is most likely the card and the PPI were applied for by post. And since neither Mr N nor his claims management company has provided evidence of the source of any pressure or how it was applied, I do not have enough information fairly to conclude that Lloyds TSB pressured Mr N into taking the PPI.

It follows that I do not uphold Mr N's complaint on this point.

was the optional nature of the PPI policy made clear to Mr N?

Mr N says he was made to feel that taking the insurance was part of the application and therefore he did not question it. Lloyds TSB says Mr N selected a box to add PPI to his account and that the policy booklet and supporting documentation made it clear the PPI was optional.

Again, I have looked very carefully at the copy of the TSB Trustcard application form Mr N signed at the time. Although it is very difficult to read, the second section of the form is headed "*TSB Credit Card Payments Insurance*" and a box has been ticked within this section. This seems to me strongly to suggest Mr N actively selected PPI.

Taking into account the limited available evidence, I do not believe Mr N's submissions are strong enough to enable me fairly to conclude that Lloyds TSB presented the policy to Mr N as compulsory.

It follows that I do not uphold Mr N's complaint on this point.

was the policy recommended to Mr N?

Mr N says he can't remember whether Lloyds TSB advised him to take out the policy. Lloyds TSB says the sale was non-advised. In the absence of any evidence to the contrary, I am satisfied this was most likely a non-advised sale. So, Lloyds TSB did not need to take steps to ensure the PPI policy was suitable for Mr N's particular needs and circumstances. This was a decision Mr N needed to make himself.

was clear information given to Mr N about the PPI policy would any shortcomings have affected Mr N's decision to take it out?

However, Lloyds TSB was under an obligation to give Mr N information that was clear, fair and not misleading, so that he could make an informed choice about the insurance he was buying.

Mr N says the terms and conditions of the policy weren't made clear to him. Lloyds TSB says Mr N would have been provided with a policy booklet and supporting documentation which would have outlined the terms and conditions in order for him to make an informed choice.

It is not clear to me whether Lloyds TSB met Mr N's information needs fully. There is limited policy documentation available from the time of the sale and I do not know when this would have been sent to him or if its contents, in particular information about the policy's significant exclusions and limitations, would have been clear to him.

Nor does it appear Mr N was given clear information about the cost and benefits of the policy. Although Lloyds TSB says the Trustcard application form states the cost of the PPI as 72p per £100 of the total amount of the monthly statement, this text is not clear on the copy of the application form I have. And the cost of the policy is not set out in the policy document Lloyds TSB says Mr N would have been sent at the time nor does it explain that premiums would still be payable even if Mr N made a claim on the policy (so reducing the value of any benefit).

However, it does not automatically follow that any information shortcomings mean that I uphold Mr N's complaint. To do so, I need to be satisfied he would have had reason not to take out the policy if Lloyds TSB had given him clearer information.

I have therefore examined the policy documentation I have and Mr N's circumstances at the time, to determine whether he satisfied the policy's eligibility rules, whether its limitations or exclusions would have adversely affected him and whether he had a potential need for the cover. With this in mind, I note the following:

- Based on his age, residency and employment status, Mr N appears to be eligible for the policy. Mr N says he was in employment and in good health at the time of the sale. So, he would not have been caught by any of the significant exclusions and limitations – such as those for pre-existing medical conditions and unusual employment arrangements – under the PPI policy that might have limited his ability to make a claim and so put him off taking it out.
- Mr N says he would not have received any pay from his employer if he was off work due to sickness or accident and would have had no other means (such as savings or other insurance policies) of making his credit card repayments if he was unable to work through sickness, accident or unemployment. The PPI policy would have provided a benefit of 10% of the outstanding balance on Mr N's credit card for a maximum of 12 months up to a maximum of £500 and it also included death benefit. In his particular circumstances, it seems to me that Mr N may well have considered the policy offered reasonable benefits, for which he had a potential need at the time.
- As I have already indicated, Lloyds TSB says that the cost of the policy would have been 72p for every £100 outstanding on Mr N's credit card account, for the benefits I have outlined above. It seems to me that this was a competitively priced policy, which compares favourably with others on the market at the same time. In his particular circumstances, Mr N may well have considered the policy would have provided him with useful protection at a reasonable cost and I am persuaded that clearer information about it would not have made him decline it.

Given that Mr N's circumstances appear to show a need for it and there is nothing to suggest he could not afford it, I am not persuaded clearer information would have put him off buying the PPI policy.

Finally, Mr N complains he was not told he could purchase cheaper insurance elsewhere; however, Lloyds TSB was under no obligation to provide him with this sort of information.

I appreciate that my decision will come as a disappointment to Mr N but I hope the reasons I have given explain why I am not upholding his complaint.

my final decision

For the reasons set out above, I do not uphold Mr N's complaint against Lloyds TSB Bank PLC.

Jane Gallacher
ombudsman