

## summary of complaint

This complaint is about a single premium payment protection insurance (PPI) policy taken out in April 2005 in conjunction with a loan. Mrs K believes Lloyds TSB Bank Plc mis-sold her the policy.

## my findings

I have carefully considered all of the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances. I have also taken into account the law, any relevant regulatory rules and good industry practice at the time the policy was sold. In essence, the questions I need to consider are whether:

- Lloyds TSB gave Mrs K information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the insurance she was buying; and whether
- If any advice or recommendation was given, the product was suitable for Mrs K's needs, or if it was not suitable Lloyds TSB pointed this out to her.

If I conclude that there were shortcomings in either of the above, this will not necessarily result in me finding in favour of Mrs K. Instead I will consider whether Mrs K more likely than not acted differently as a result, i.e. whether *but for* failings on the part of Lloyds TSB she would not have taken out the insurance.

It appears that this policy was sold during a branch meeting. Mrs K has stated that the policy was added to her account without her consent, stating in her initial complaint form that the PPI was "automatically added to my loan without my knowledge". Lloyds TSB disagrees and claims that Mrs K was aware of the optional nature of the policy and actively consented to taking it out.

As the policy was taken out during a meeting, there is no recording of the sales conversation, and so it is not possible to determine for certain precisely what was discussed.

However, Lloyds TSB has provided a copy of the demands and needs statement, entitled "Your Personal Summary & Our Recommendation(s)", which the business claims contains notes from the conversation in question and was subsequently sent to Mrs K. Of course, it is possible that this document does not accurately reflect the conversation, and I acknowledge that it has not been signed by Mrs K. However, in the absence of a recording, this document appears to provide the best indication available of what took place during the meeting. I note that it states "You have a dependent child and are a single parent relying on your sole income. You feel it is vitally important to make sure your loan is fully covered for unemployment, accident/sickness, critical illness and life cover." This suggests that it is more likely than not that PPI was discussed during the sales meeting and Mrs K expressed an interest in the cover.

I have also reviewed a copy of the credit agreement. I acknowledge that the section relating to PPI has been pre-populated, but I consider this in keeping with the sales conversation that appears to be reflected in the demands and needs statement, discussed above. Furthermore, I note that the PPI product, "loan protection" is clearly described as optional in bold capital letters. Had Mrs K been unaware of the policy, I consider it reasonable to assume that this document might have alerted her and, had she not wished to take out the

cover, I consider the word “optional” would more likely than not have prompted her to make further enquiries on the matter. However, it seems Mrs K signed the document, just below this section, to indicate her consent.

Taking everything into consideration, I am unable to safely conclude that Lloyds TSB either failed to obtain Mrs K’s consent or failed in its duty to ensure she was aware of the optional nature of the policy.

Lloyds TSB has stated that they gave Mrs K a recommendation to purchase the policy, and the documents from the point of sale also persuade me that it is more likely than not that advice was given in this case, and so I have also considered the business’s duties in relation to an advised sale. In this case, I am persuaded that the product Lloyds TSB recommended was suitable for Mrs K’s needs. I say this because:

- Mrs K was eligible for the policy and does not appear to have been affected by any of the exclusions or significant limitations on the cover provided, such that these would make this policy unsuitable for her.
- The consumer’s representative, on behalf of Mrs K, claims that the cancellation terms led to an inflexible policy that was unsuitable for their client. However, in response to further questions from our adjudicator Mrs K has stated that the loan was taken out for home improvements and I have seen nothing to suggest that she had any intention of repaying it early at the point of sale. I also understand that Mrs K had no previous history of borrowing or early repayment. Weighing everything up, I am not persuaded that the policy was unsuitable for Mrs K.
- The single premium for the policy was £738.02, which attracted interest over the term of the loan, bringing the total cost of the insurance to £1038.81. It seems that the entire cost of the policy plus interest over the full policy term could have been recouped by claims totalling 16 months or more during the policy term, and it appears that under the policy terms it would have been possible for a policy holder to claim for up to 42 months for unemployment and up to 60 months for accident or sickness over the term of the policy. The policy also provided hospitalisation, critical illness and life cover.

While Mrs K may feel the cost was high, there is some evidence that she might have been aware of the cost at the point of sale because the single premium, cost of the interest over the full term and total cost including interest are set out in the credit agreement she signed. Taking into account Mrs K’s circumstances at the time of sale, I am not persuaded that this was unaffordable for her or that she would have found the cost unacceptable (in the light of the potential benefits).

- Mrs K has told us that at the time of the sale she was a single parent and responsible for one financial dependent. Mrs K has also stated she had been in full time employment for six months at the point of sale and that she may have been entitled to work benefits from her employer in the event she was unable to work due to accident or sickness, but is unsure of the details of any such benefits. Mrs K has also told us that she had no savings or other insurance policies to cover the loan repayments in the event that she had been unable to work. Taking everything into consideration, and in the light of Mrs K’s circumstances at the time of sale, I am persuaded that this policy would have provided a valuable benefit and was a suitable recommendation for her.

For much the same reasons as stated above, even if Lloyds TSB did not fully meet Mrs K's information needs, I am not persuaded that she suffered any detriment as a result. I say this because I do not consider that any of the important information about the PPI that she might not have known would have deterred her from taking it out. Therefore, I have not reached a finding on whether or not Mrs K's information needs were met, as it is not crucial to the outcome of this case.

Overall, I conclude that whether or not Lloyds TSB met its obligations to provide Mrs K with information that was fair, clear and not misleading, she has suffered no detriment as a result. I also find that the product Lloyds TSB recommended was suitable for Mrs K's needs. It follows that I do not find that the policy was mis-sold.

I understand that, as a gesture of goodwill, Lloyds TSB previously made an offer to pay Mrs K a pro-rata rebate if the policy was cancelled. It is my understanding that this offer was not accepted. Mrs K might want to contact Lloyds TSB directly to see if this offer remains open.

#### **my final decision**

For the reasons set out above I am not persuaded that Mrs K has suffered detriment as a result of any possible shortcomings on Lloyds TSB's part when selling the PPI policy in question. It follows that I do not uphold this complaint or make any award against Lloyds TSB.

Clair Bantin  
**Ombudsman**