

complaint

This complaint concerns a regular premium payment protection insurance (PPI) policy taken out in July 1996 in connection with a joint mortgage. Mr and Mrs T complain that they were mis-sold the policy by Bank of Scotland plc ("Bank of Scotland").

background

Mr and Mrs T applied for a mortgage in July 1996. Alongside the mortgage, Mr T took out PPI to cover him in the event that he was unable to work as a result of disability or unemployment. Mrs T was not covered by the policy.

The cost of the PPI was £21.21 a month. In the event of a successful claim, the policy would have paid £350 a month for up to 12 months per claim.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have also taken into account the law and good industry practice at the time the policy was sold.

Our general approach to considering complaints about the sale of PPI can be found on our website. It seems to me that this approach deals with the relevant issues I need to consider in this case. The key questions I need to consider therefore are:

- if Bank of Scotland gave any advice or recommendation, whether it took adequate steps to ensure that the product it recommended was suitable for Mr and Mrs T's needs;
- whether Bank of Scotland gave Mr and Mrs T information that was clear, fair and not misleading in order to put them in a position where they could make an informed choice about the insurance they were buying; and
- if Bank of Scotland did something wrong when selling the policy, I then need to consider whether Mr and Mrs T would have acted differently – eg not taken out the policy – if it had not done so.

In this case, both parties agree that Bank of Scotland gave advice to Mr and Mrs T. There is limited evidence available but it is agreed that the sale took place in branch, which does not seem to me to be inconsistent with an advised sale. I will therefore proceed on the basis that Bank of Scotland did recommend the policy to Mr and Mrs T.

This means that Bank of Scotland needed to take adequate steps to ensure its recommendation was suitable for Mr and Mrs T's needs as well as giving them sufficient information to allow them to make an informed choice about whether to purchase the PPI. In addition to these points, I must also consider whether Bank of Scotland made the optional nature of the policy clear to Mr and Mrs T.

did Bank of Scotland present the PPI as optional?

Mr and Mrs T state that they were not told the policy was optional. Bank of Scotland states that it has never been a requirement to take out PPI in order for a mortgage application to be accepted.

Clearly I cannot be certain of what was discussed at the meeting. Further, the sale took place 18 years ago and unfortunately, due to the passage of time, Bank of Scotland has been unable to provide the point of sale documentation.

Whilst it is possible that Mr and Mrs T were told they had to take the policy, they have not provided any detailed recollection as to exactly what was said in order to give them this impression. However, I am mindful of the fact that the sale took place in 1996 and it is likely that the passage of time will make recalling exactly what happened difficult.

I note that various press articles have been provided by Mr and Mrs T's representative regarding the sales practices of the Lloyds TSB Group, of which Bank of Scotland now forms part. Whilst I have noted the observations made in these articles, it is correct to say that Bank of Scotland did not become part of this group until some 13 years after the sale of the PPI to Mr and Mrs T. I do not therefore consider that the issues raised in the articles are relevant to this case against Bank of Scotland.

In light of the above, there is insufficient evidence for me to safely conclude that the policy was not presented as optional to Mr and Mrs T.

did Bank of Scotland take adequate steps to ensure its recommendation was suitable?

At the time of sale, Mr T was employed full time. He has indicated that he was not entitled to any benefits from his employer in the event that he was unable to work due to sickness, accident or redundancy. He has stated that he had other means in that his wife would have made the repayments if he was unable to work in those circumstances.

Mrs T was employed and entitled to six months full pay and six months half pay if she were off work. Mr and Mrs T have (through their representatives) stated that, had the policy been correctly and properly sold, the PPI would not have taken effect until at least six months after the date of sickness or illness. However, as the policy was in Mr T's name alone I do not consider this to be the case. Had Mr T been unable to work, I think it is likely that the household income would have been significantly reduced as he was not entitled to any sick pay from his employer. Mr and Mrs T would then have been reliant on Mrs T's income alone and I consider it likely that there may have been other demands on those funds. I therefore do not consider that Mrs T's income or sick pay would mean that the policy was unsuitable for Mr T.

On balance, I am satisfied the recommendation was suitable for Mr T as:

- he was eligible for the cover having considered the policy terms;
- he was not caught by any of the policy's significant exclusions or limitations;
- he had no existing policy or employee benefits which would cover the repayments so he had some need of the cover offered by the policy;

- there is nothing to suggest that the policy was unaffordable or unacceptable to him.

Given my view that the policy was suitable, it is not necessary for me to go on to consider what steps were taken by Bank of Scotland before recommending it.

did Bank of Scotland provide Mr and Mrs T with adequate information?

Mr and Mrs T state that they were not advised of the relevant features of the policy and that the costs and benefits were not made clear. Bank of Scotland states that Mr and Mrs T would have been provided with the sales documentation when they purchased the policy which quoted the cost of the policy.

I cannot be certain as to what Mr and Mrs T saw before making their decision whether or not to take the policy. Further, due to the passage of time I have not seen the PPI application or any documentation setting out the cost of the policy. I therefore cannot say that there were no shortcomings in the information provided to Mr and Mrs T.

would Mr and Mrs T have acted differently had the shortcomings not occurred?

For the same reasons as set out for the policy being suitable, it is my view that Mr and Mrs T are unlikely to have acted differently had adequate information been provided regarding the policy. The cost was reasonable and Mr T had no other cover in place so I consider that the policy could therefore have been useful to them.

I am therefore satisfied on the balance of probabilities that Mr and Mrs T would not have acted differently had the shortcomings not occurred.

my final decision

For the reasons set out above I do not uphold this complaint and make no award against Bank of Scotland plc.

Rachel Ellis
ombudsman