complaint

Mr and Mrs M say Lloyds Bank Plc mis-sold them a mortgage payment protection insurance (MPPI) policy.

Mr and Mrs M took out a mortgage in 1996 and a further advance in 2007. Mr and Mrs M took an MPPI policy in 1996 and it covered Mrs M only. The policy was £9.01 and paid by a monthly premium.

In 2007 they took another MPPI policy out to reflect the changes in their borrowing. Mr and Mrs M were both covered by this MPPI and they paid £19.18 a month for the policy.

background

I issued my provisional decision to Mr and Mrs M and Lloyds on 30 March 2019 and asked both parties to let me know if they had anything they wanted to add before I issued my final decision.

Mr and Mrs M didn't reply to my provisional decision. Lloyds replied agreeing with my findings and have made an offer on the second MPPI policy sold to Mr M.

As I've not received any further evidence or arguments to consider about the first MPPI policy I still think this policy wasn't mis-sold. I've explained my reasons again below.

my findings

I've considered all the available evidence and arguments to decide what's 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 and Mrs M's case.

Having done so, I've decided partially uphold Mr and Mrs M's complaint. I'll deal with each sale separately and explain why.

1996 sale

When selling the MPPI to Mr and Mrs M, Lloyds had to make it clear the policy was optional. It also had to get their agreement to take it out. Mr and Mrs M say they weren't made aware the MPPI was optional in 1996.

Mr and Mrs M's recollections about the meeting in 1996 are not detailed. This is understandable due to the many years that have passed since the date of sale. So I've thought carefully bout what they have said and looked at the paperwork provided from that time to decide what's more likely happened.

Lloyds has provided the mortgage application that was completed in 1996. Within this application I can see there is a separate section called *'Applying for TSB MortgageSure'* and although the form isn't very clear I can see that a tick has been placed in the *'Yes'* box next to what seems to be a question asking if Mr and Mrs M want the cover. There is also an option to tick *'No'*. The application form has been completed and signed following a discussion with an advisor. And whilst I can't be sure what was discussed I think the form shows the MPPI was optional and they didn't have to have it.

Mr and Mrs M say that they felt pressured into buying the policy by Lloyds. I don't doubt that this is how Mr and Mrs M now recollect the way in which the policy was sold. But it was a very long time ago. And they haven't given us any detail of what the Lloyds advisor actually said or did to make them think that they had to the MPPI in 1996. This is a subjective area and without further evidence I can't reasonably say that Mr and Mrs M were pressured into buying the MPPI.

Lloyds says it recommended the MPPI to Mr and Mrs M in 1996 so it had to check that it was right for them. Based on what I've seen of their circumstances at the time, I think that it was. The MPPI taken out in 1996 provide cover for Mrs M only so I've focused on her circumstances at the time. I think the recommendation was right for Mrs M because:

- Mrs M was eligible for the policy.
- Based on what Mrs M's told us about her circumstances at the time of sale she wouldn't have been affected by any of the things the policy didn't cover – like known health issues or unusual employment arrangements. So there was nothing to stop her claiming the full benefit of the policy if she'd needed to.
- Mrs M's told us she would've received some sick pay from her employer. The MPPI would've paid out for up to 12 months if Mrs M was off work due to accident or sickness. And it would have provided cover if she was made redundant. This cover would've allowed her to use any employee benefits to cover other everyday living expenses.
- Mr and Mrs M were taking on a significant and long-term financial commitment, which was secured on their home. So the effects of not keeping up with the repayments could've been serious for them. And I think having the security that the repayments would've been made if Mrs M was unable to work would've been important to them.
- I've also no reason to think the policy was unaffordable for Mr and Mrs M. And as the policy's premiums were paid monthly, they could have cancelled it if it no longer met their needs.

As well as checking the policy was suitable for Mrs M, Lloyds also should've given them clear information about the policy so that they could make a proper choice about whether or not to take it out. I don't know what steps Lloyds took to do this and it's possible some things weren't explained as clearly as they should've been. But I don't think clearer information would've changed their decision. I think they'd still have bought it. I say this for the same reasons I think the MPPI was suitable for Mrs M.

I've thought about everything Mr and Mrs M have said about this sale, but these points don't change my decision – and for the reasons set out above, I don't think this MPPI was mis-sold.

I know this will disappointing for Mr and Mrs M but I hope my decision clearly sets out my reasons.

2007 sale

When Mr and Mrs M applied for a further advance they were recommended another MPPI policy. This was arranged so that it would cover both Mr and Mrs M.

I've decided to uphold Mr and Mrs M's complaint about this sale because Lloyds recommended the policy to cover Mr M but I don't think it was suitable for him. This is because Mr M had a medical condition when he took out the policy which wouldn't have been covered. Looking at the application for the further advance I can see that there is a handwritten comment that *'Mr M has back trouble'*. We've asked Mr M for more details about this and he has confirmed he had sciatica attacks in 2004 and more importantly in 2006 when he took 3 months off work.

Looking at the policy terms Lloyds has referred us to it seems that Mr M would not have been able to claim for any time off work for sickness related to his back problems. And although I appreciate Mr M may not have referred to his time off work in previous correspondence with Lloyds, I think the fact that there is evidence from the time of sale to show his health was discussed is enough for me to think the policy limits weren't properly explained to Mr and Mrs M.

So, I think it's unlikely he'd have wanted the MPPI if Lloyds had made it clear that his medical condition made the policy unsuitable for him. So, I think Mr and Mrs M have lost out because of what Lloyds did wrong.

Lloyds has responded to my provisional decision and agreed to make an offer in line with my recommendations. This means Lloyds will put Mr and Mrs M in the position they'd be in now if they hadn't taken out the MPPI in 2007. I understand that the policy has been cancelled, so Lloyds will:

- Pay Mr and Mrs M the amount they paid each month for the MPPI.
- Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 8% a year†.
- If Mr and Mrs M made a successful claim under the MPPI policy, Lloyds can take off what they got for the claim from the amount it owes them.

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mr and Mrs M a certificate showing how much tax it's taken off if they ask for one.

my final decision

My decision is that I uphold this complaint in part. I direct Lloyds Bank to pay compensation to Mr and Mrs M in line with the instructions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 16 January 2020.

Chandni Green
ombudsman