

complaint

Mrs L complains, through her representative, that Lloyds Bank PLC (“Lloyds”) mis-sold her a regular premium payment protection insurance (“PPI”) policy when she took out a personal loan in 2009.

background

As Lloyds did not uphold Mrs L’s complaint, she referred it to this service. Our adjudicator assessed the case and recommended that the complaint should not be upheld. Mrs L does not agree with that assessment and has asked for her case to be considered afresh by an ombudsman.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I base my decision on the balance of probabilities – that is, what I consider is most likely to have happened given the evidence that is available and the wider surrounding circumstances.

I have taken into account law and regulations, regulators’ rules, guidance and standards, codes of practice and good industry practice at the time the policy was sold.

The questions I need to consider are:

- whether Lloyds gave Mrs L 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;
- whether, in giving any advice or recommendation, Lloyds took adequate steps to ensure that the product it recommended was suitable for Mrs L’s needs.
- if there were shortcomings in the way in which the business sold the policy, I then need to consider whether Mrs L is worse off as a result; that is, would she have done something different – for example not taken out the policy - if there had been no shortcomings.

However, before I consider those questions I will address Mrs L’s complaint that she was not presented with a choice about the PPI. In effect, she says that it was presented as part of the loan package. Had she known she could have declined it, she says she would have done so as she did not need it.

I accept that Mrs L has provided her honest recollections about what happened at the branch meeting in 2009 but I am mindful that memories can fade. As such I have taken into account her testimony and other evidence which is available to help me decide what is more likely to have occurred. Having done so I am not persuaded that Mrs L’s testimony is strong enough for me to safely conclude that she was not given a choice about the PPI.

Lloyds has provided a copy of her loan agreement which was signed by Mrs L in a number of places. She was borrowing £2,000 over 30 months. I understand that the purpose was to buy a car. According to the loan agreement her monthly repayments under the loan were to be around £83. She has signed in the credit agreement part of the form.

Below this and in close proximity (close to the Lloyds adviser's counter-signature) is a box headed "*Loan Protection Insurance – Statement of Price*"

1. *"I wish to purchase Loan Protection Insurance [] (please tick)*
2. *The insurance is optional*
3. *If this is a joint loan please note that only the FIRST named borrower will be covered by the Loan Protection Policy*
4. *It will cost £14.40 for 30 months*
5. *The total indicative amount you will pay is £432*
6. *The premium includes insurance premium tax at a rate of 5%*

Signature of Borrower(s)
Date of signature(s)"

This is signed and dated by Mrs L. There is also a tick in the square brackets. I am satisfied that through this section Lloyds adequately presented the PPI as an optional and separate product. I see that there is a note in the margin to the right of the box – "*Please tick and sign here*". I am not persuaded that this presented Mrs L with an obligation to sign (and certainly not without reading what she was signing) and it does not diminish the actual text within the box and which has been signed by Mrs L (which I find presents the cover as optional).

It seems likely that the form was completed through a computer and passed to Mrs L for her signature. So I accept that Mrs L may have been presented with a number of documents for her signature. But there was some responsibility on her to read and check what she was signing.

I also note that there is a personal loan checklist in the documentation. The boxes on this have been ticked and it is signed by Mrs L on the same date. The last tick is to the side of the following:

"I provide my authority for Lloyds TSB Insurance to collect my Loan Protection Insurance from my account using the direct debit scheme".

I find that this shows that the insurance was a separate product; as Mrs L signed just below this statement it is likely that she would have read and understood this.

Taking everything together I am not persuaded that it is likely that Lloyds failed to present the PPI as optional and separate. I find that Mrs L agreed to take the PPI aware that she did not have to but may since have forgotten some of the details of what occurred the time.

was advice or a recommendation provided?

In the circumstances of this case I am satisfied that Lloyds provided advice and a recommendation to Mrs L. As such it was obliged to take steps to ensure that the PPI was suitable for her. Having carefully considered Mrs L's circumstances together with the terms and conditions of the policy I am not persuaded that it would have been an inappropriate recommendation for Mrs L. I say this because:

- Mrs L appears to have been eligible for the policy. She was in employment and good health so it does not appear that she would have been affected by any of the exclusions or significant limitations in the policy which relate to employment status or

pre-existing medical conditions, such that these would make this policy unsuitable for her.

- The PPI policy provided cover in the event that Mrs L was unable to work due to accident, sickness or unemployment. The monthly benefit (the amount payable under the loan agreement) would have been payable for up to 12 months in an unemployment claim and up to the end of the loan agreement in a sickness or accident claim. The policy also provided critical illness and life cover. Although in her questionnaire Mrs L indicated that she was not entitled to employee benefits she has more recently confirmed that she would have had some sick pay. Given her job and employer it seems likely that she would have been entitled to a period of paid sick leave if unable to work through accident or sickness. This policy would have paid out in addition to any employee benefits she may have received, potentially to the end of the loan period. And it provided cover in the event that Mrs L became unemployed. Given the level of her existing cover (which appears to have been limited) and the cover provided by the PPI I am not persuaded that the policy would have been an unsuitable.
- There is some evidence to show the cost was disclosed to Mrs L at the time. The loan agreement sets out the monthly repayment at £14.40 and the indicative cost if the policy were to be maintained for the full term – it was open to her to cancel it at any time. Given that Mrs L has signed this agreement I cannot safely conclude she found the policy to be unaffordable. As such I am not persuaded the cost of the policy – given the benefits it provided - made this an unsuitable recommendation for her.

In summary, I am not persuaded that the policy was unsuitable for Mrs L, as it provided her with cover that she otherwise did not have and from which she stood to gain in the event of a successful claim. So I do not feel it would have been inappropriate of Lloyds to recommend this policy to someone in her circumstances.

was information provided which was clear, fair and not misleading?

Whether or not Lloyds provided advice or a recommendation to Mrs L, it was obliged to provide her with information about the policy's features which was clear, fair and not misleading so that she could make an informed choice about whether or not to take out the PPI.

Like all insurance policies the PPI did not cover every eventuality and the policy contained a number of limitations and exclusions mostly about employment status and health. This information should have been drawn to Mrs L's attention before she made the decision about whether or not she wanted the PPI. I cannot be sure about what Mrs L was told either verbally or in literature, about the cover so I am open to the possibility that there were shortcomings on the part of Lloyds in meeting her information needs. But for reasons similar to those I find in relation to the suitability of the policy I am not persuaded that she would have decided against taking out the PPI even if she had been provided with clearer information about it.

There is nothing about her circumstances which suggest to me that any of the information about the PPI that she might not have known would have dissuaded her from taking it out. Given that I am satisfied she wanted to protect her repayments (because I have found it is likely she chose to take out the policy knowing she did not have to), I am not persuaded she

would have decided against taking out the policy if she had received better information about it.

my final decision

For the reasons set out above, my final decision is that I do not uphold Mrs L's complaint against Lloyds Bank PLC.

Liz Forbes
ombudsman