

complaint

Mrs A complains that Lloyds Bank PLC cancelled a Business Loan Repayment Insurance ("BLRI") policy held by her late husband – Mr A. She considers it had no right to do this without his permission.

She also considers that if the policy had not been cancelled her late husband, or his estate, could have claimed on the policy and it would have paid off the debt he owed to the bank. The estate subsequently paid of the debt using other funds obtained from the sale of the marital home after Lloyds obtained a charging order over it. Therefore Mrs A wants Lloyds to compensate the estate.

Mrs A further complains that the bank treated her and her representatives in an unacceptable manner.

background

I set out the background to this complaint in my provisional decision. In it I explained that I intended to uphold the complaint in part because I had reached the following conclusions.

- I concluded that Lloyds had made a mistake when it cancelled the BLRI policy without Mr A's consent. However, I was not satisfied that Mr A, or his estate, would have been able to have made a claim under the policy as Mrs A suggested. I said on this basis, I could not order Lloyds to pay the estate a sum that reflected what Mr A might have received under the policy
- However, I was satisfied that Lloyds' actions caused Mrs A as Mr A's personal representative to experience inconvenience. I considered that £500 was a fair award for this.
- I also concluded that Lloyds should pay Mrs A's reasonable legal costs in relation to this complaint and I asked her to confirm what these were.
- I dismissed the part of the complaint dealing with the charging order and the information Lloyds provided both before and after the court action. I considered that the court had decided that the estate owed the sum Lloyds claimed and granted Lloyds the charging order. On this basis I said if Mrs A wished for these matters to be considered she would need to go to court.

I asked the parties to respond to my provisional decision if they wanted to do so before I wrote my final decision.

Lloyds said it accepted it. Mrs A said she did not. In summary, she reiterated that if the bank had not cancelled the policy it could have been used to pay off the debt. Mrs A considered that Lloyds held this view too because it had talked about how it should not have cancelled the policy and how this was a *"problem"* and could have caused it *"reputational damage"*.

Further, Mrs A outlined that she had experienced distress and inconvenience in her personal capacity. On this basis she could not understand why she was not being compensated for this in her own right. She suggested it was not fair that I had only considered the inconvenience she experienced as her husband's personal representative.

She described the award of £500 for inconvenience as “*derisory and insulting*” and suggested that both she and her solicitor considered that £10,000 was more appropriate.

She said that, in any event, her husband did not require the BLRI policy and it was missold to him. She expressed concern because we had not dealt with this part of her complaint.

She also said I had misunderstood her complaint. She was not complaining about the charging order in itself. Rather, she considered that the bank owed a duty to her personally not the estate to tell her about the loan debt. She explained if it had done this she would have paid it off

my findings

I thank the parties for their responses to my provisional decision. I have re-considered all the available evidence and arguments - including the responses to decide what is fair and reasonable in the circumstances of this complaint.

would Mr A or his estate have been able to claim on the policy but for the bank's actions?

It is not at all clear that the policy would have paid out after Mr A became ill or after his death. I have seen the policy and it says that, to be eligible to claim on the policy, Mr A would have had to have been in active employment of at least 16 hours a week. But it seems he was not. Mrs A has not told us on what basis she believes the insurance policy would have paid out. So I cannot reasonably say that by cancelling the policy, the bank deprived either Mr A or his estate of the funds they would otherwise have got from the policy.

Mrs A is right when she says that Lloyds considered that it was a “*problem*” that it had cancelled the policy without Mr A's consent. But she is incorrect to say that Lloyds considers the policy would have paid out but for its actions. It has consistently said in its opinion the policy would not have paid out.

That said, I agree with Mrs A that Lloyds had made a mistake in cancelling the policy without the correct consent. I also agree it did not provide the level of customer service it should have done. I consider this caused inconvenience for Mrs A as the representative of the estate. I consider that £500 is appropriate compensation for this. I am sorry to hear Mrs A considers £500 for inconvenience to be unacceptable. However, in the light of the size of awards we generally make for inconvenience I consider that £500 is appropriate.

why I cannot make an award to Mrs A in her own right

I appreciate that Mrs A has had a terrible time. I am not saying she has not experienced distress and inconvenience in her own right. I do not doubt that she found it traumatic to have to sell her marital home to meet her husband's debts. But she has brought her complaint to us, not in her own right, but as the personal representative of her husband. This is the only capacity in which she could have brought her complaint to us. On this basis, I consider it is appropriate to only consider the inconvenience she experienced as a personal representative, although I realise this is rather a technical way of looking at matters but, under the rules that govern this service, this is what I have to do.

the legal costs

Mrs A tells us that her reasonable legal costs are £3,591. Lloyds has agreed to pay this amount so I will make no further finding on this part of the complaint.

the missale of the policy

Mrs A also raises a question about the potential missale of the policy. This appears to be a new matter and has not been considered by Lloyds in its final response to Mrs A or investigated within this complaint. We have already told Mrs A that if she wants this matter to be investigated she must first raise it with Lloyds and give it a chance to respond. It follows that I am unable to look at this new part of her complaint in this final decision.

the charging order

Mrs A tells us that we have misunderstood her complaint and she says she was not asking us to look at the charging order at all.

However, in both her letter to the Chief Executive of Lloyds and in her response to our adjudicator's view, she referred to the payment the estate made to Lloyds under the charging order and asked for this money back. This suggested to me that she did not consider that the estate should have made the payment in the first place. If she accepted the charging order then it is not clear to me why she asked the bank the refund the money she paid to it as a result of the order.

Mrs A has also asked me to explain why I considered that she was unhappy about the approach the bank took leading up to and after the court proceedings. She says she never raised this as an issue.

I considered she was complaining about this because she told us "*I had no knowledge that the loan, debt or charging order on the house existed until after my Husband's death*" and "*the Bank should have informed me that the charging order was being made against the property, the Bank failed to do this*". On this basis I concluded she was dissatisfied with how the bank had behaved in relation to these matters.

It is for these reasons that I dealt with the issues relating to the charging order and dismissed them because the court had already decided to grant the charging order and the other matters flowed from the charging order. I considered that if Mrs A wanted to pursue this, she would need to go court.

did the bank take too long to talk to Mrs A about the debt?

Mrs A queries why the bank did not tell her about the debt sooner than it did. In particular, she tells us that there was a total lack of communication from the bank between December 2010 and August 2011. But the bank's records indicate that there was contact between the parties during this period. Further, its notes also indicate that it was trying to be tactful by not pursuing the estate for the debt in the immediate aftermath of Mr A's death. I do not conclude that Lloyds made a mistake here in acting as it did.

I can well understand why Mrs A was shocked when she did find out about the debt. But I consider the bank was not in a position to talk to Mrs A about the debt before Mr A died as

the debt was his - and not hers - so it would have been in breach of its duty of confidentiality to Mr A if it had talked to her about the debt without his consent.

my final decision

My final decision is:

- Lloyds Bank PLC should pay Mrs A acting on behalf of the estate of the late Mr A £3,591 for the estate's reasonable legal costs as well as £500 for inconvenience.
- To dismiss the part of the complaint about the charging order and how it was enforced as the subject matter of the complaint has been subject to court proceedings and there has been a decision on the merits.
- To dismiss the part of the complaint about the information the bank provided leading up to and after the court proceedings as this matter would be better dealt with by the courts as it is linked to the charging order.

Joyce Gordon
ombudsman