

complaint

Mr P complains that Lloyds Bank PLC, trading as Lloyds TSB, mis-sold him a payment protection insurance (PPI) policy.

background

Mr P bought the single premium policy alongside a loan he took out with Lloyds TSB during a meeting in July 2003. The policy covered Mr P for life, accident, sickness and unemployment. It also provided accidental permanent total disability cover.

Our adjudicator upheld the complaint.

Lloyds TSB didn't agree with the adjudicator and so the complaint has now been passed to me to consider.

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 P's case.

Having done that, I've decided to uphold Mr P's complaint.

Lloyds TSB were under a duty to give Mr P information in a way which was clear, fair and not misleading so that he could make a proper choice about whether or not to take the policy. I don't think they did this because the cost of the PPI was not set out as it should've been.

I've seen the loan agreement and note that whilst it sets out the cost of the PPI premium and the monthly payment, it doesn't set out the interest to be paid on the PPI premium or the overall cost of the policy.

Lloyds TSB say that Mr P had sufficient information for him to work out the above costs. I can't see that sufficient information was provided on the agreement. Nor have I seen an explanation as to how to work out the total amount of interest. But even if enough information was provided, I don't think it was fair for Lloyds TSB to expect Mr P to have to work out the interest - it was Lloyds TSB's responsibility to make the true costs of the policy clear to Mr P.

I have seen that the PPI premium was £1787.41. Lloyds have told us that the interest on the premium was £528.30. I think that if Mr P had known the true costs of the policy, he wouldn't have taken it out. This is because the interest added almost 30% more to the original cost of the PPI. And the total cost of the premium plus interest added more than 25% to his original loan amount. So I think it is more likely that Mr P would've preferred to rely on his existing means to make the repayments if he was off work sick or made unemployed rather than pay the amount he did for the policy.

Based on the above, I uphold Mr P's complaint.

fair compensation

Mr P borrowed extra to pay for the PPI, so his loan was bigger than it should've been and he paid more than he should've each month. So Mr P needs to get back the extra he's paid.

So, Lloyds TSB should:

- Work out and pay Mr P the difference between what he paid each month on the loan and what he would've paid each month without PPI.
- Add simple interest to the extra amount Mr P paid each month from when he paid it until he gets it back. The rate of interest is 8% a year[†].
- If Mr P made a successful claim under the PPI policy, Lloyds TSB can take off what he got for the claim from the amount it owes him.

[†] HM Revenue & Customs requires Lloyds TSB to take off tax from this interest. Lloyds TSB must give Mr P a certificate showing how much tax it's taken off if he asks for one.

my final decision

I uphold Mr P's complaint. Lloyds Bank PLC must pay Mr P the compensation I've described above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr P to accept or reject my decision before 18 June 2015.

Navneet Sher
ombudsman