

## **complaint**

This complaint is about a single premium payment protection insurance (“PPI”) policy taken out in 2007 with a loan. Mr W says Lloyds Bank PLC, trading as TSB (“Lloyds”) mis-sold him the PPI.

## **my findings**

I’ve considered all the available evidence and arguments to decide what is 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 W’s case.

I’ve decided the policy wasn’t mis-sold because:

- Mr W has said he was told he’d have a better chance of securing the loan with PPI. But I think Lloyds made it clear that Mr W didn’t have to take out the PPI and he chose to take it out – although I can understand why he can’t remember this.

Lloyds has given us a copy of Mr W’s loan agreement which includes a declaration specific to the PPI policy. Mr W has ticked a box to say he wanted to take the policy and signed to confirm this, separately to signing for the loan itself. The cost of the PPI is also set out separately to that of the loan within the agreement, which I think indicates it is separate to, and not a condition of, the loan.

Mr W has said he felt pressured to take the policy as he wanted the loan. I don’t know what was said in the meeting. And I don’t doubt that he might’ve thought he needed to take the policy. But this isn’t the same as Lloyds telling him he had to have it. And looking at the agreement he has signed, and thinking about what we know about how Lloyds sold similar policies at the time, I think it’s more likely Lloyds did enough to make it clear that Mr W didn’t have to take out the PPI, and that he chose to take it.

- Lloyds recommended the PPI to Mr W so it had to check that the PPI was right for him – and based on what I’ve seen of his circumstances at the time, I think that it was. For example he wasn’t affected by any of the exclusions to or limits on the PPI cover and he seems to have had a need for the cover.

Mr W says he would’ve received statutory sick pay from his employer, but the PPI could’ve paid out in addition to any existing benefits, and for potentially longer. He’s told us he didn’t have any savings to fall back on. And the policy also provided cover for unemployment. So I think the policy could have been useful to Mr W.

Mr W has said his parents could have helped if he was unable to make repayments. But this would’ve been dependent on their circumstances at the time. And the policy would’ve meant he didn’t have to rely on them.

- It’s possible the information Lloyds gave Mr W about the PPI wasn’t as clear as it should’ve been. But he chose to take it out - so it looks like he wanted this type of cover. And it seems like it would have been useful for him if something went wrong. It also looks like it was affordable. So I don’t think better information about the PPI would have put him off taking out the cover.

- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr W.

But Lloyds will pay back *some* of the cost of the PPI to Mr W because:

- When the policy was sold, Lloyds expected to get a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mr W about that. Because Lloyds didn't tell Mr W, that was unfair.
- To put that right, Lloyds has basically offered to pay back the amount of commission and profit share that was above 50% of the PPI premium - and I think that offer is fair in this case.

I've thought about everything Mr W has said, but for the reasons mentioned above, these points don't change my decision.

### **what the business needs to do**

Lloyds has to pay back to Mr W any commission and profit share it got that was more than 50% of the PPI premium. Lloyds should also pay back to Mr W any extra interest he paid because of that.

Lloyds should pay back to Mr W the extra he paid each month on the loan because the commission and profit share was more than 50% of the PPI premium - including any extra Mr W paid if the loan was paid off early. Lloyds should also pay Mr W 8%\* simple interest on the extra paid each month.

\*Businesses have to take basic rate tax off this interest. Mr W can claim back the tax if he doesn't pay tax.

### **my final decision**

The PPI policy wasn't mis-sold – so Lloyds Bank PLC does not have to pay back all of the cost of the PPI to Mr W.

But Lloyds Bank PLC does have to pay back to Mr W any commission and profit share it got that was more than 50% of the PPI premium.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 21 June 2018.

Staci Rowland  
**ombudsman**