

complaint

This complaint is about a payment protection insurance (PPI) policy taken out in August 1999 in connection with a credit card. Mrs B and her representative say that Lloyds TSB Bank Plc (Lloyds TSB) mis-sold the policy because she was not made aware of the optional nature of the policy; the costs of the policy were not made clear to her; and the suitability of the policy was never established.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The questions I need to consider in a case like this are:

- whether the business gave the consumer 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, the business took adequate steps to ensure that the product it recommended was suitable for her needs.

If there were shortcomings in the way in which Lloyds TSB sold the policy, I then need to consider whether Mrs B is worse off as a result; that is, would she have done something different – i.e. not taken out the policy – if there had been no shortcomings.

Lloyds TSB says that the sale of the policy took place in March 1997 and was conducted on an advised basis. It has supplied a copy of application form completed and signed by Mrs B, which indicates that the sale took place in a branch.

So not only did Lloyds TSB need to provide Mrs B with clear, fair and not misleading information, it also needed to take reasonable steps to ensure that the policy was suitable for her needs.

Mrs B and her representative say that the Lloyds TSB sales representative implied that taking out the policy was essential to get the associated credit. She told us that she knew she had the policy, she just didn't know it was optional.

Having looked at the evidence I am not persuaded that this is the case. The application form for the credit card had a separate section relating to PPI and this was set out along with the other optional features.

Under the heading '*TSB Credit Card Payments Insurance*' was the following text: '*To protect your card repayments, we strongly recommend that you take out TSB Credit Card Payments Insurance...it will take care of 10% of your outstanding balance if you cannot work through illness, injury or unemployment for a maximum of 12 months. Tick here if you would like to be covered by TSB Credit Card Payments Insurance.* Mrs B ticked the 'Yes' box.

The form also contained a section which asked customers if they were interested in 'Sentinel Card Protection' Mrs B did not select this option. Another section asked customers to select one of four payment dates for their new credit card and I note that Mrs B selected option 5 – '*no preference*'.

All this leads me to conclude that Mrs B chose the PPI option, but made no choice for another offer and also selected her preference for payments dates. On balance this leads me to conclude that it is more likely than not that Mrs B was aware that PPI was optional at the time.

At the time of the sale in 1997, Mrs B met the eligibility criteria in terms of age, being a cardholder and was in good health, and would not therefore have been caught by any of the significant limitations and exclusions contained within the policy, such as those relating to pre-existing medical conditions that could limit the value of the policy in the event of a claim.

Mrs B told us she had some savings, and the application form for the credit card indicates that she had only been in current job for three years at the time of the PPI purchase. And Mrs B told us that she did not have the benefit of any occupational benefits from her employer.

It therefore seems to me that Mrs B is likely to have felt there was a need for cover. I understand at the time she did not have any other policies in place which she could use to meet her repayments if off work through accident, sickness or unemployment. And while she had some savings, the policy provided additional protection over and above that provided by the relatively small level of savings. Accordingly I am not persuaded that the policy was an unsuitable recommendation for Mrs B.

It is possible that the costs and benefits of this policy were not made clear. I note, however, that the cost of the policy appeared on her monthly credit card statements for several years after taking out the policy, yet she does not appear to have queried or objected to the level of these charges.

Lloyds TSB has told us that the PPI cost no more than 79p for every £100 of balance outstanding. The policy paid out a benefit of 10% of her monthly outstanding balance for 12 months in the event of accident, sickness or unemployment and was at a higher level than any statutory provision. In the unfortunate event of Mrs B's death it would have paid off her credit card balance in full.

Whilst it may not have been made clear that premiums would need to be met during a claim, and so the benefit is reduced because of that, or that premiums were interest bearing, it nevertheless remains a competitive benefit and higher than some other similar policies of its type. On balance, I am not persuaded that Mrs B would have been put off by the cost, had it been made clearer and I find it likely she would have proceeded with the policy, in any event.

In conclusion, I am not persuaded that Mrs B was affected by any of the exclusions or limitations of the policy and the cost of the policy would not have been unattractive to her. Although I cannot be certain that Lloyds TSB explained the policy's exclusions, limitations and costs to her in a clear, fair and not misleading way, I am not persuaded Mrs B would have decided against taking out the policy if she had been properly advised and informed and fully understood the position. Rather, it seems more likely to me that given her then circumstances she would have decided the policy provided valuable protection in relation to her credit card (and potential liability) and still gone ahead with it.

my final decision

My final decision is that I do not uphold Mrs B's complaint and make no award against Lloyds TSB Bank Plc.

Andrew Macnamara
ombudsman