

complaint

Mr B says Lloyds Bank PLC (when it was trading as Lloyds TSB) mis-sold him a payment protection insurance (“PPI”) policy.

background

In 2000 Mr B took out the PPI when he applied for a credit card during a meeting at one of the bank’s branches. The policy protected Mr B’s credit card monthly repayments if he couldn’t work as a result of accident, sickness or unemployment.

Our adjudicator didn’t think the policy was mis-sold. Mr B disagrees. Mr B’s main complaint is that he wasn’t informed that he had PPI.

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 this case.

I’ve decided not to uphold Mr B’s complaint. I’ll explain why.

It’s completely understandable that Mr B might’ve forgotten some of the details about this sale. I’ve seen his completed credit card application. This shows that Mr B ticked the “Yes” option to include PPI. And he signed the completed form to indicate that he agreed with what it said on the form. There was an option to say “No” if he hadn’t wanted to have PPI. This is left blank on the form Mr B signed. I don’t know what was discussed when Mr B applied for his credit card with PPI. But, despite what he remembers now, I think it would’ve been clear from the paperwork Mr B filled in to get his credit card that the PPI was optional and the policy was added to his credit card account when he chose to take it out.

Lloyds says it recommended the PPI to Mr B. If a business makes a recommendation about PPI it should provide important policy information clearly and take reasonable steps to make sure the cover it recommends is suitable.

The policy would’ve paid out for up to 12 months per claim in the event of accident or sickness. And it would’ve paid a monthly benefit if he’d lost his job unexpectedly and was out of work. Mr B said he would’ve only been able to rely on statutory sick pay if he wasn’t able to work and he just had a limited amount of savings. So, looking at what he’s told us about his circumstances at the time, I think PPI offered Mr B useful benefits and it was suitable for him.

It’s possible some of the information Lloyds gave Mr B about the PPI wasn’t as clear as it should’ve been. I don’t know if Lloyds properly explained what the policy would cost, or what it might pay out if Mr B made a claim. But Mr B signed up for the policy when he didn’t have to – so he seems to have wanted this type of cover. The policy appears to have been affordable for Mr B at the time – he could’ve cancelled it if his circumstances changed or he didn’t want to pay for it.

The policy didn't cover some things. But it doesn't look as if this would've affected Mr B being able to claim on the policy in all the circumstances he might reasonably have expected. So, I don't think having more information about the policy exclusions and limitations would've put Mr B off taking it out.

On balance, taking all this information into account, I don't find the PPI was mis-sold.

So Lloyds doesn't have to pay back all of the cost of the PPI to Mr B.

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

- Lloyds got a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mr B about that. Because Lloyds didn't tell Mr B, 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.

what the business needs to do

- Lloyds Bank PLC has to pay back to Mr B any commission and profit share it got that was more than 50% of the PPI premium. Lloyds Bank PLC should also pay back to Mr B any extra interest he paid because of that.
- Lloyds Bank PLC should re-work the credit card account and pay back to Mr B the difference between what he owed and what he would've owed if the commission and profit share it got hadn't been over 50% of the cost of the PPI. Lloyds Bank PLC should also pay Mr B 8%* simple interest if he paid off the credit card at some point.
- *Businesses have to take basic rate tax off this interest. Mr B 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 B.

But (if it hasn't already done so) Lloyds Bank PLC does have to pay back to Mr B 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 am required to ask Mr B to accept or reject my decision before 2 November 2019.

Susan Webb
ombudsman