

complaint

Mr and Mrs H say Lloyds Bank PLC mis-sold them a payment protection insurance ('PPI') policy.

background

Mr and Mrs H took out a PPI policy with a mortgage in 1995. They paid a monthly amount for the policy. The policy only covered Mr H.

Both parties agree that this policy was sold during a meeting. Although Mr and Mrs H don't think that a recommendation was made to take PPI, I've considered that Lloyds *did make a recommendation* to take PPI. This places more responsibility on them as it means they had to take reasonable steps to check that the policy was right for Mr H.

Our adjudicator didn't uphold the complaint. Mr and Mrs H disagreed with the adjudicator's opinion, so the complaint has been passed to me.

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 and Mrs H's case.

I've decided not to uphold Mr and Mrs H's complaint because:

- I think Lloyds made Mr and Mrs H aware that they had a choice about buying the PPI, and they chose to take it.

I've seen a copy of Mr and Mrs H's mortgage application. It isn't the best quality copy, but the best available and it's mostly legible. Section 12 of the mortgage application form has a heading '*MortgageSure*'. Next to a question that asks; '*Do you require cover against accident, sickness and involuntary unemployment?*' there are two boxes. A tick has been placed in one of the boxes. It seems reasonable to assume that the two boxes offered 'yes' and 'no' options for PPI and that the 'yes' option has been selected. I say this because:

- PPI was added to the account
- Next to a statement that says '*Amount of monthly benefit required?*', it's been written '*100%*'. If a 'no' option had been selected, it seems unlikely that the required benefit would have been completed.

Mr and Mrs H have complained that they weren't aware that they'd taken PPI or that they'd be paying for it. But although I think the paperwork most likely did present PPI as separate to the mortgage they were applying for, I've also considered that even in a scenario where Mr and Mrs H agreed to take PPI without realising, there are references to PPI on a number of other documents from the sale.

For example, '*Your TSB mortgage offer*' lists PPI as '*MortgageSure*' and gives a very brief outline of the cover. I think Mr and Mrs H would reasonably have questioned the

PPI when they received this document. But it remained on their account for some time. It's possible, given the time that's passed, that Mr and Mrs H may not now recall everything clearly.

- Lloyds recommended the PPI to Mr H, and it seems to have been right for him based on what I've seen of his circumstances at the time. I say this because:
 - If Mr H was unwell and unable to work he'd have been entitled to at least three months sick pay. But after three months his sick pay would have decreased to half pay. This PPI policy could have paid out for longer – for up to 12 months per claim.
 - Although Mr H has said he was entitled to redundancy, this policy would have paid out in addition to any redundancy that he would have received. I've also noted that Mr H was the only wage earner at the time of sale.

I think if Mr H was made unemployed and as this mortgage was a significant financial commitment over a relatively long period of time, given the potential consequences if they were unable to keep up with their mortgage repayments, Mr and Mrs H could have found the PPI useful.

Having the PPI policy would also allow Mr and Mrs H the option of using any redundancy pay to help pay for other living expenses that they may have had.

- Mr and Mrs H haven't told us about any other existing means that they had to make their repayments. For example savings that they could have used.
- As I haven't seen all of the paperwork from the sale, in fairness to Mr and Mrs H I've considered that Lloyds could have explained the cost of the policy better than it did. But even if it had, I think Mr and Mrs H would still have bought it.
- It's possible Lloyds didn't point out the main things the policy didn't cover. But Mr H doesn't appear to have been affected by any of those things.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr and Mrs H.

But Lloyds has paid back *some* of the cost of the PPI to Mr and Mrs H because:

- Lloyds got a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mr and Mrs H about that. Because Lloyds didn't tell Mr and Mrs H, that was unfair.
- To put that right, Lloyds has paid back the amount of commission and profit share that was above 50% of the PPI premium - and I think that is fair in this case.

I've thought about everything Mr and Mrs H have said, but these points don't change my decision.

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 and Mrs H.

But Lloyds Bank PLC does have to pay back to Mr and Mrs H any commission and profit share it got that was more than 50% of the PPI premium. If it has already done this, I don't award any further compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs H to accept or reject my decision before 23 December 2018.

Daniel O'Shea
ombudsman