

complaint

This complaint against Lloyds Bank PLC (“Lloyds TSB”) is about a single premium payment protection insurance policy (‘PPI’) sold in conjunction with a loan for a car in 2008. Mr B says this was mis-sold because he was told he had to take out the policy in order to get the loan.

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 Lloyds TSB gave Mr B information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying;
- whether, in giving any advice or recommendation, Lloyds TSB took adequate steps to ensure that the product it recommended was suitable for his needs.

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

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

was the optional nature of the policy made clear to Mr B?

I understand the policy was sold in branch. Mr B recalls being told he had to take out the policy in order to obtain the loan. Lloyds TSB says it did not lead customers to believe insurance was compulsory or that their application for credit would be compromised in the absence of cover.

I cannot know exactly what was said when Mr B met with Lloyds TSB. However, I note the credit agreement he signed at that time has a separate section relating to PPI with a box to tick if someone wishes to take this out. This box has been ticked and Mr B has signed to confirm he wished to take out the policy. I also note the ‘*Your Personal Summary and Recommendation*’ document which I understand should have been provided to Mr B refers to the policy as optional. And I am mindful of the fact that as this was a recommended sale it may be that what Mr B was told was that he *should*, rather than *must*, take out this policy. So while I accept it is possible he was provided with misleading information about the optional nature of the policy at his meeting I do not consider his submissions are strong enough to enable me to safely conclude this was the case.

was the policy suitable for Mr B?

I do not consider the policy, for which Mr B appears to have been eligible, was unsuitable given his circumstances at the time. The policy did contain significant exclusions and limitations, for example relating to pre existing medical conditions, which should have been considered as part of an assessment of suitability. I am not clear if this was done properly.

However, his circumstances do not suggest to me that he would have expected to be caught by any of the main exclusions that might limit the usefulness of this type of policy (in the event he needed to make a claim). For example, he was not self-employed or suffering any pre-existing medical conditions. So I do not believe any failing here would have put him off taking out the policy.

I also consider Mr B had some need of the protection offered by this policy; he does not appear to have had any other policies in place which he could have used to meet his repayments if not working. He also told us that he did not have any savings. And while I understand he would have received some occupational benefits from his employer if off work due to sickness this policy would have provided cover for the full term of the loan in the event of a successful disability claim. So it represented a significant enhancement of his existing provision. Importantly it would also have provided cover for 12 months in the event of unemployment. Taking into account his circumstances I do not consider it inappropriate of Lloyds TSB to have recommended it to him.

The policy did not offer a pro-rata refund if cancelled within the term. This can be a problem where customers require flexibility to either cancel or repay a loan early. Mr B's representative does not believe this issue was properly considered by Lloyds TSB and I have not seen clear evidence showing this was done. However, this loan and policy had a five-year term and I understand it was taken out primarily to buy a car. And I have seen no evidence to suggest that Mr B thought at the outset that he might redeem or refinance the loan before the end of the term. So it does not appear flexibility would have been an important issue for him when taking out this policy. As a result even if Lloyds TSB did not give proper consideration to this issue I do not believe he would have acted differently if it had done so.

And while I can understand why, on reflection, Mr B might regard the cost of this cover as high there is some evidence to show it was disclosed to him at the time. The credit agreement sets out the single premium amount, the monthly cost with and without the premium included and the total amount. Separately it sets out the interest to be charged on the single premium. As Mr B has signed this agreement I cannot safely conclude he was not aware of these costs at the time. And taking into account his circumstances and the fact he had some need of the cover I do not feel I could safely conclude the cost of the policy made this an unsuitable recommendation for him.

did Lloyds TSB meet his information needs?

I have also considered the information provided about the policy to Mr B. I understand he should have been provided with the policy summary and policy document but I do not know whether the information these contained would have been clear to him. For example the way it was presented might have led him to overlook important elements. However, for the same reasons as set out above I do not believe that even if he had been provided with clearer information he would have decided against taking out the policy.

summary

For the reasons set out above I cannot safely conclude Mr B was not aware of the optional nature of this policy. I am satisfied it was a suitable recommendation for him. And I am not persuaded that even if clearer information had been provided to him he would have decided against taking it out.

my decision

For the reasons set out above, I do not uphold this complaint and make no award against Lloyds Bank Plc.

Andrew Macnamara
ombudsman