

complaint

This complaint is about mortgage payment protection insurance (MPPI) which Mr and Mrs T say Lloyds Bank PLC, trading as Lloyds TSB, mis-sold to them.

For consistency, I'll refer to "Lloyds" throughout this decision.

background

Mr and Mrs T applied for a mortgage in 1999 and they were sold an MPPI policy which protected Mr T against accident, sickness and unemployment. Mrs T wasn't covered.

One of our adjudicators has assessed this complaint and said it shouldn't be upheld. Mr and Mrs T disagreed with this and asked for an ombudsman's final decision.

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.

Having done this, I've decided not to uphold this complaint.

The company representing Mr and Mrs T say they were either unaware of the MPPI or must have been told it was something they needed to have with the mortgage. Obviously, these are quite different versions of what happened.

So in arriving at a decision, I've taken into account how long ago this sale was. Clearly it's possible – and indeed understandable – that Mr and Mrs T might not be able to accurately remember everything that happened from around 20 years ago. I also take into account that although Lloyds has been able to send us some documentation, there is quite a lot of the paperwork that hasn't survived this long. Businesses aren't required to keep records indefinitely.

Lloyds says Mr and Mrs T would have been given a choice about the MPPI. And although we don't have a copy of their mortgage application form or mortgage offer, my experience of these types of sale is that they would have probably had to give their permission for the MPPI to be added.

Also, Mr T appears to have been the only person insured and I think he and Mrs T would have been able to see a policy had been set up because they would have probably needed to transfer the monthly premium via a signed direct debit (or similar).

However, I also note from Lloyd's computerised records that a successful claim was made on the policy commencing in March 2002 and that Mr and Mrs T were paid £193.70. So all these things make it highly likely Mr and Mrs T did know they had a policy and had given their consent for it to be added to their mortgage.

Lloyds says it probably recommended the cover to Mr and Mrs T during an 'advised sale'. This means Lloyds needed to ensure the cover was suitable for Mr and Mrs T's particular circumstances.

I think it was.

I say this because Mr T was eligible for the cover and not 'caught' by any of the major exclusions we sometimes see in these policies. He was the main earner, so I can see why the policy would've been helpful to cover his income.

I've thought about the job Mr T said he had and the sickness benefits he said he enjoyed but I'm afraid this doesn't necessarily mean the MPPI wasn't suitable. This is because I think Mr and Mrs T's mortgage would've been a significant financial commitments and the MPPI policy was designed to pay out for up to 12 months in the event of financially difficult times. The policy only cost £3.42 per month so I think this would have been affordable for them and it would have paid out in addition to any other means Mr and Mrs T had at that time. As their borrowing was secured against their home, I think the consequences for them not being able to keep up the payments could have been serious.

Taking all these things into account, I think the MPPI was suitable for them.

To uphold this case I'd need to think these policies were added without Mr and Mrs T's permission or that there were other serious flaws in the sale process. I simply don't have that evidence and what I've seen and described above does show they were aware of the MPPI policy.

my final decision

For the reasons set out above, I don't uphold Mr and Mrs T's complaint. And I don't direct Lloyds Bank PLC to do anything to put matters right.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs T to accept or reject my decision before 28 February 2019.

Michael Campbell
ombudsman