

## **complaint**

This complaint is about a mortgage payment protection insurance (MPPI) policy taken out in 2001, a new policy was then taken out to cover additional borrowing in 2003. Mr C and Mrs W say Lloyds Bank Plc (Lloyds) mis-sold them the MPPI.

## **my findings**

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

We've set out our general approach to complaints about the sale of MPPI on our website and I've taken this into account in deciding this case.

I've decided the policy wasn't mis-sold and I'll explain why.

I've seen the mortgage application forms Mr C and Mrs W completed in 2001 and in 2003, they both had separate sections relating to MPPI with the option to say 'yes' or 'no' to taking out the cover. On both forms the 'yes' option has been ticked. Mr C and Mrs W then signed a separate MPPI application form for each sale which included the amount of the mortgage they wanted covered by MPPI, as well as how they wanted the policy benefit split between them.

With what I've seen, I think it's likely Lloyds discussed the MPPI with Mr C and Mrs W on both occasions, and made it clear that taking the MPPI was optional, and that they chose to take it out knowing they didn't have to.

Lloyds recommended the MPPI to Mr C and Mrs W so it had to check that it was right for them. And based on what I've seen of their circumstances when they bought the policies, I think that it was. For example they weren't affected by any of the exclusions to or limits on the MPPI cover and they seem to have had a need for the cover.

It's possible the information Lloyds gave Mr C and Mrs W about the MPPI wasn't as clear as it should've been. And I understand that Mr C and Mrs W say they wouldn't have taken the MPPI if they'd been given better information. But I think the evidence shows they chose to take it out – so it looks like they wanted this type of cover. It also looks like it was affordable, and it seems like it would have been useful for them.

Mr C and Mrs W have said they would have got between 3 and 6 months sick pay if either of them had been too ill to work, that they had a small amount of savings, and that their parents would have been able to cover their mortgage payments until they were able to sell their home. But the MPPI could've paid out for up to 12 months - after an initial waiting period of 60 days - so longer than their sick pay would have lasted. It would also have helped cover their mortgage payments if either of them had become unemployed. And while I don't doubt their families would have wanted to help that would have depended on their own circumstances at the time, so I don't think their help could be guaranteed.

The MPPI also would have meant they had some breathing space before having to consider selling their home. I understand that Mr C and Mrs W have questioned how useful the MPPI would have been for short term illness, given the 60 day waiting period. But I don't think that means it wasn't useful – it could have provided important help with meeting their mortgage payments if either of them had been too ill to work for an extended period of time.

So given that the MPPI could have provided them with a useful benefit if something went wrong – and in light of the serious implications of not keeping up repayments on a mortgage secured against their home – I don't think better information about the MPPI would have put them off taking out the cover.

I've also thought about whether Lloyds needs to give Mr C and Mrs W some of the commission that they paid back. The Supreme Court ruling and new rules and guidance don't apply to certain types of mortgage agreement – including a 'regulated mortgage'. As Mr C and Mrs W's mortgage became a regulated mortgage before 6 April 2008 they don't apply. So Lloyds doesn't need to refund any of the commission Mr C and Mrs W paid for the MPPI they had with that mortgage.

**my final decision**

For the reasons set out above I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr C and Mrs W to accept or reject my decision before 17 May 2018.

Sophie Mitchell  
**ombudsman**