

complaint

Miss H, who is represented by a third party, has complained that Lloyds Bank PLC, trading as Lloyds TSB ("Lloyds"), mis-sold her a single premium payment protection insurance ("PPI") policy in 2001.

She says she was told she had to buy the policy to get the loan she was taking out. She also says she wasn't told about the true cost of the policy.

background

Miss H bought the policy when she was taking out a loan.

Our adjudicator didn't think the policy was mis-sold. Because Miss H disagrees, her complaint has been passed to me for a 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 payment protection insurance on our website and I've taken this into account in deciding this case.

I've decided not to uphold this complaint. I'll explain why.

Both Miss H and Lloyds agree that the policy was sold at a meeting.

Being a single premium policy, the PPI was paid for through an insurance loan that was added to what Miss H wanted to borrow. The premium for the PPI loan, which Miss H was due to repay over three years, added £265 to the £2000 she was borrowing.

Miss H bought the policy at a meeting in a branch. Miss H says that Lloyds didn't make a recommendation that she should buy the policy but Lloyds says it did - and I think that's more likely. So, in reaching my decision I've kept in mind that Lloyds had to be sure that the policy was suitable for Miss H's circumstances and give her clear information about it.

Unfortunately, some of the sale paperwork is no longer available, including the loan agreement. That's not unusual after so much time. So I've reached my decision based on what Miss H and Lloyds have told us, plus what I already know about Lloyds's sale processes at the time. On the credit agreement, it's likely that Miss H had a choice of filling in a 'yes' or a 'no' box to buy PPI and another one for it to be added to her loan. So I think on balance that Miss H ought to have been aware that she had a choice about whether to buy the cover.

I've also thought about whether the policy was suitable for Miss H. I can see she was eligible for the policy and I can't see that she was affected by any of the main exclusions. I've seen that she wasn't entitled to any sick pay from her employer and didn't have any savings. If she'd made a successful claim, the policy would cover her loan repayments for all the time she wasn't able to work due to accident or sickness, and for up to twelve months if she lost her job. So it was benefit that I think she would have seen as being worthwhile, given that she had no other means of paying the loan if she couldn't work.

The policy provided for a refund on early cancellation that wasn't in proportion to the time Miss H would have held the policy. This could be a problem. So it's something that should have been brought to Miss H's attention. I don't know if it was.

Miss H hasn't told us exactly what the loan was for, save that it was for general non-essential spending. But I haven't seen anything to suggest it was going to be used for another purpose, such as paying off existing debts. I'm also not aware of anything to make me think that in the past Miss H had refinanced loans or thought about repaying them early, or that she was planning to do so in future. So I think it's more likely that Miss H thought the loan and the cover would run to term when she took them out. So I don't think that being able pay off the loan and the cover early would have been an important factor for Miss H at the time of the sale.

As I don't have the credit agreement, I've can't know what it showed about the cost of the policy. But I would have expected that the overall the cost of the policy was shown on the loan agreement, together with the monthly repayment. So I think Miss H ought to have been aware of the cost of the PPI at the time she was buying it.

I can see it's possible there may have been some shortcomings in the way this policy was sold but, having looked at the sale carefully, I think Miss H would still have decided to buy the policy if she'd been better advised and informed.

my final decision

For the reasons I've explained, I'm not upholding Miss H's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 28 October 2016.

Michael Goldberg
ombudsman