

complaint

This complaint concerns a regular premium payment protection insurance (PPI) policy taken in connection with a credit card application with Lloyds bank PLC ("Lloyds") formerly Lloyds TSB Bank PLC in May 2002.

Mr F says that the policy was mis- sold to him.

background

Mr F says he took out the PPI policy to cover a credit card in order to fund essential everyday spending.

The key issues are that Mr F says that the policy was mis- sold to him because the policy was not clearly explained to him and he did not want or need it. Mr F also raises the fact that at the time he had understood from the representative at the bank that in order for him to have a greater chance of being accepted for credit all he had to do was sign and as a consequence he had felt under pressure to take the PPI policy.

This particular policy was designed to cover Mr F if he was unable to work through ill health or his redundancy. The policy also offered the additional benefit of life cover and hospitalisation cover. In the event of a successful claim, the policy would pay 5% of the outstanding monthly credit card balance (at the first date full date of unemployment and from the 15th day for sickness) for 11 months. If Mr F was off sick or unemployed for a period of 30 days after the 11th month of Mr F's claim, then this particular policy would clear the outstanding credit card balance.

An adjudicator has considered Mr F's complaint and recommended that it should not be upheld. Mr F does not agree with this finding and has asked that his complaint be referred to an ombudsman for a final decision.

my findings

I have only included a brief summary of the complaint and the background above, however, I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

In doing so I have taken into account the law and good industry practice at the time the policy was sold.

It seems to me that the relevant considerations in this case are materially the same as those set out in the section of our website explaining how we deal with PPI complaints.

The key questions I need to consider therefore are:

- Whether in giving any advice or recommendation, Lloyds took adequate steps to ensure that the product it recommended was suitable for Mr F's needs.
- Whether Lloyds gave Mr F 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.

If there were any shortcomings in the way the policy was sold I need to decide if Mr F is worse off as a result. That is, would he be in a different position to the position he finds himself in now if there had not been any shortcomings.

After having carefully considered the evidence in this case I have decided not to uphold the complaint. I set out my reasons below.

the basis of the sale

Lloyds say that the PPI was sold to Mr F during a meeting at the branch and that it was an advised sale. Mr F says that he had a meeting but he cannot remember how the insurance was sold to him.

On balance, I am satisfied that this was an advised sale given that there was a meeting and that Lloyds accept that advice was given.

This means that Lloyds had to take adequate steps to ensure that the policy it recommended was suitable for Mr F's needs as well as giving Mr F sufficient information that was clear, fair and not misleading in order that he could make an informed choice about the policy he was purchasing.

I must also consider at the outset what I consider to be an important part of Mr F's complaint—that he was not given the choice to purchase the policy and whether Lloyds made the optional nature of the policy clear to Mr F.

was the optional nature of the policy made clear?

Mr F says that he was led to understand that he had a greater chance of being accepted for a credit card if he purchased the PPI policy. He adds that he felt pressured to take the PPI policy and that he could not say no.

I have been provided with the Credit Agreement which has been completed by hand. Under the heading '*Optional features*' section 4, which says '*tick yes to take out Payment Protection Cover and protect your payments*' this option has been ticked. There is another option stating '*if you do not wish to protect your payments tick no*' which has been left blank.

In addition I note that this section also states '*...you must select any optional features you wish to have for your new Asset/ Asset Gold/ Asset Platinum Card from the list opposite.*' It goes on to say, '*payment protection cover (one box must be ticked) For your additional peace of mind of knowing that you can continue to meet your minimum credit card payments even if you can't work due to accident, sickness or unemployment, you can take out Payment Protection Cover.*'

Nowhere in the agreement does it indicate that Mr F must take out the insurance. I would add that the credit agreement has been signed by Mr F.

When there is a disputed issue I must decide it on the balance of probabilities (ie what is more likely than not to have happened?). I note that Mr F has said in his initial complaint that he was unaware that he had PPI and was surprised when he realised it had been added. I also note later that he says that he felt he had been pressured into taking PPI. It is perfectly understandable that Mr F's recollections of the events of the sale have faded given the passage of time.

However, in view of the documents available and Mr F's testimony that he did not know that he had PPI; I am not persuaded that he was pressured into purchasing this policy or that he was of the impression that he had to take the policy to obtain credit.

In determining whether the optional nature of the policy was made clear, I am persuaded that it was. As this was an advised sale I find it more likely than not that the adviser discussed the various options with Mr F and as a result of the discussion all the sections of the agreement were completed including the section dealing with optional features. I am also satisfied that the choice presented in section four of the credit agreement ie' *tick yes to take out...*' Or *'if you do not wish to protect your payments tick no'* should have made it more likely than not that Mr F would have understood that the policy was optional.

For the above reasons, I am satisfied that Mr F understood the optional nature of the policy and chose to take it.

was the policy suitable?

The next question I must determine is whether this particular policy was suitable for Mr F.

Having considered the available evidence I am persuaded on balance that the policy was suitable for Mr F. I say this for the following reasons;

- Mr F has told us that he was working full time when the policy was sold to him. He had been with his employer for approximately three years and would have been eligible for the cover that the policy provided. I have not seen any evidence that Mr F would have been subject to the most significant limitations or exclusions of the policy such as pre-existing medical conditions or unusual employment terms.
- I note that Mr F has said that he would be entitled to statutory sick pay and that he could rely on his parents should he fall into difficulties with payment however, I am not persuaded that Mr F would not have found the policy benefit worthwhile if he had found himself in a situation where he was unable to work due to unemployment or sickness. This policy provided benefits over and above (and beyond) his existing provisions and would mean that he did not have to rely on third parties.
- I have found no evidence that the policy was unaffordable for Mr F.

did Lloyds give Mr F sufficient information that was clear fair and not misleading so that he could make an informed choice as to whether to purchase insurance?

Turning to the information Mr F received about the policy at the time. I cannot be certain that Lloyds did properly inform Mr F; in particular I cannot be sure that the costs of the policy were made sufficiently clear to Mr F. However, this particular policy provided Mr F with the benefit of paying his full balance in the 12th month and so on balance I am persuaded that it offered a reasonable benefit to Mr F in the event he had to make a claim and offered Mr F the certainty that in the 12th month of any claim he could clear his credit card balance should he fall into difficulties.

So even if Mr F had been provided with information about the policy that was any clearer, for the same reasons that I have concluded that the policy was suitable for Mr F (summarised above) I consider it more likely than not, that Mr F's decision to go ahead with the policy would not have been any different.

I am persuaded that he is likely to have made the same choice and taken the policy out and in the circumstances Mr F is in no worse position having taken the policy.

summary

In summary, even if there were shortcomings in the information provided to Mr F, it is not clear that Mr F's decision to take out the policy would have been any different.

Also, I am satisfied that it was most likely a suitable recommendation and a recommendation Mr F is likely to have accepted, even with fuller information about the policy's terms. It follows, therefore, that I do not consider that this complaint should succeed.

my final decision

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

Nicola Woolf
ombudsman