

complaint

Mrs B complained about the single premium payment protection insurance (PPI) policies she was sold in connection with two loans she took with Lloyds TSB Bank Plc. She says the policies were mis-sold.

Following the initial complaint, Lloyds TSB agreed to uphold the complaint against both policies and made an offer to Mrs B in May 2012. Mrs B is unhappy with the methodology that Lloyds TSB has used to calculate redress on one of the loans.

my findings

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

Since Lloyds TSB has already accepted that it mis-sold its policies to Mrs B, I do not need to consider the merits of this complaint again here. I need to decide whether the method used by Lloyds TSB to determine what compensation Mrs B is due, if any, is fair and reasonable.

Our general approach to calculating redress for PPI mis-sales in connection with a loan is that the business, in this case Lloyds TSB, should put the consumer, Mrs B, back in the position she would have been in now if she had taken out the loan without the PPI policy.

Loan One

I understand that this loan was taken out in January 2002 and repaid early in March 2004. Accordingly Lloyds TSB must:

- (A) work out and repay the extra payment paid by Mrs B to settle the loan because PPI was added to it at the start by:
 - calculating the amount she would have paid to settle the loan if she had taken it out without PPI (including any interest and charges, such as a penalty for early repayment)
 - subtracting that amount from what was actually needed to settle the loan and paying her the difference
 - adding interest (simple, not compound) on the difference between the two amounts, at the rate of 8% a year from the date the loan was settled to the date the redress is paid[†].

- (B) work out and repay the extra monthly payments paid by Mrs B while the loan and PPI policy were active by:
 - calculating how much the loan payments would have been if she had taken out the loan without PPI
 - subtracting those payments from the amount she actually paid and paying her the difference
 - paying Mrs B interest (simple, not compound) on each of these amounts at the rate of 8% a year from the date each payment was made to the date the redress is paid[†]
 - taking into account any PPI premium refunded to Mrs B when the policy was cancelled or the value of any successful claim.

- (C) write to Mrs B to set out the details of the calculations and amounts under (A) and (B).

† – This part of the compensation is subject to income tax. The treatment of this part of the compensation in Mrs B's hands will depend on whether Lloyds TSB has deducted basic rate tax from the compensation and Mrs B's financial circumstances. More information about the tax position can be found on our website. Lloyds TSB and Mrs B should contact HM Revenue and Customs if they want to know more about the tax treatment of this portion of the compensation.

I have reviewed the information that Lloyds TSB provided in connection with the redress payments it made for loan one (£5,901.08), and it seems to me that it has calculated redress in accordance with our guidelines and general approach, and that the offer it made and the redress it has paid to Mrs B is appropriate, fair and reasonable in the circumstances.

Loan Two

It is believed that this loan was taken out sometime in 1991. Neither party holds any records that confirm the date the loan was taken; the amount of the loan; whether or not PPI was purchased at this time; details of the monthly payments or any PPI premium. In fact, the only documentary evidence that I have seen indicates that the loan itself was repaid in 1998.

In preparing our initial view, the adjudicator asked both Lloyds TSB and Mrs B to check and then re-check that they had no further records/documents/information that would provide further details on the loan and the policy.

Where insufficient records exist to accurately assess a consumer's loss then the business (Lloyds TSB) is expected to make some reasonable assumptions about the customer's account so that a fair and reasonable approach can be taken in calculating total redress. There are a number of different ways in which that could be undertaken; none of which is inherently more fair and more reasonable than any other. And it's important to note that any individual method could result in a consumer receiving slightly more or slightly less redress.

In this particular case, and in the absence of any details about the loan or the policy, Lloyds TSB upheld the complaint and offered Mrs B redress. It made an offer of £1,200 which it described as its '*average compensatory payment*'. Our adjudicator said that she felt this was fair and reasonable, but at Mrs B's request, granted her further time to search her records for more information about the loan.

In the eight months that has since elapsed, no further details have been forthcoming, and in the absence of any further information from Mrs B, I have to conclude that the offer made by Lloyds TSB is not unfair and not unreasonable, and Mrs B should now consider approaching Lloyds TSB to accept their offer in connection with this loan.

my final decision

For the reasons set out above, my final decision is that I do not uphold Mrs B's complaint and I make no further award against Lloyds TSB Bank Plc.

Andrew Macnamara
ombudsman