complaint

Mr R complains that Lloyds Bank PLC plc mis-sold him a regular premium payment protection insurance (PPI) policy.

background

This complaint is about a monthly premium PPI policy taken out by Mr R in 2003, in connection with a mortgage. The policy provided cover for Mr R in the event of accident, sickness and unemployment.

Our adjudicator upheld the complaint. Lloyds didn't respond to the adjudicator's opinion, so the complaint has been passed to me for a final decision.

my findings

I have 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 PPI on our website and I've taken this into account in deciding Mr R's case.

It seems to me that the relevant considerations in this case are materially the same as those set out on our website. And the main questions I need to consider are:

- If Lloyds gave any advice or recommendation, did it make sure the product it recommended was suitable for Mr R's needs?

- Did Lloyds give Mr R the information he needed to decide whether to take out the policy?

If there was a problem with the way the policy was sold then I need to consider whether Mr R is worse off as a result. That is, would he have done something different – such as not taking out the policy – if there hadn't been any problems with the sale?

I have decided to uphold Mr R's complaint, and I've set out my reasons below.

Lloyds has accepted that this was an advised sale, and so I have considered whether its recommendation to take out the policy was a suitable one for Mr R's circumstances.

Under the terms of the policy, to qualify for unemployment benefit the customer had to be registered as unemployed with the Department for Education and Employment and the Department of Social Security. Registration with those agencies is usually required to claim state benefits.

At the point of sale, however, Mr R was working in the UK on a five year visa sponsored by his employer. It's unlikely, therefore, that he would have been able to register as unemployed to claim state benefits. As such, he wouldn't have qualified for unemployment benefit under the policy. Overall, therefore, I don't think the policy or the recommendation to take it out was suitable for Mr R.

It seems to me that Mr R wouldn’t have bought the policy if Lloyds had made it clear it wasn’t suitable. So, I think Mr R has lost out because of what the business did wrong.

what the business should do to put things right

Lloyds should put Mr R in the position he’d be in now if he hadn’t taken out PPI. The policy should be cancelled, if it hasn’t been cancelled already, and Lloyds should:

- Pay Mr R the amount he paid each month for the PPI.
- Add simple interest to each payment from when he paid it until he gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on†.
- If Mr R made a successful claim under the PPI policy, Lloyds can take off what he got for the claim from the amount it owes him.

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mr R a certificate showing how much tax it’s taken off if he asks for one.

my final decision

My decision is that I uphold this complaint. I direct Lloyds Bank PLC to pay compensation to Mr R as outlined above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr R to accept or reject my decision before 30 July 2015.

Caroline Stirling
ombudsman