Financial Ombudsman Service

complaint

Mrs C complains that Lloyds TSB Bank plc mis-sold her a regular monthly premium Payment Protection Insurance ("PPI") policy when she took out a credit card in February 1996. She complains that the policy was added to her account without her consent and as a result she was not made aware of the key terms and conditions of the insurance.

my findings

I have carefully considered all of the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances in accordance with our general approach to considering complaints about the mis-sale of PPI, which is well documented. I have also taken into account the law, and good industry practice at the time the policy was sold.

In essence, the questions I need to consider are:

- if any advice or recommendation was given, whether the product was suitable for Mrs C's needs; and
- whether Lloyds gave Mrs C information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the insurance she was buying.

If I conclude that there were shortcomings in either of the above, this will not necessarily result in me finding in favour of Mrs C. I would also need to find that Mrs C had acted differently – and to her detriment – as a result.

First I will consider how Mrs C applied for her credit card and PPI and whether Lloyds provided her with advice.

Mrs C recalls that she applied for her credit card during a meeting and this concurs with the view from Lloyds that the credit card was applied for in a branch. I think it likely that Mrs C would have completed (or had completed on her behalf) a paper based application form. Lloyds has not been able to retrieve a copy of Mrs C's application, however I have considered the content of similar forms from applications around the same time in reaching my decision.

Mrs C does not recall being provided with any advice on the purchase of the PPI policy – Lloyds believes that it did provide advice. Given that providing advice places a greater responsibility on the selling business, I will treat this sale as advised. Therefore Lloyds was responsible for taking reasonable steps to ensure that the policy it sold was suitable for Mrs C's needs, or if in part it was unsuitable, clearly drawing this to her attention.

Next I will consider whether Lloyds made Mrs C aware that taking the policy was optional.

Without sight of the application form that would have been completed by Mrs C, it is impossible to be certain whether she actively consented to the PPI being added to her account. The credit card application form that I consider Mrs C was likely to have used offered PPI in a section headed *"Optional Features".* In this section customers were provided with two tick boxes clearly identified as *"Yes"* and *"No"* which could be used to either accept or decline the policy.

I do not know for certain whether this was the form that was used by Mrs C, but in the absence of any other persuasive evidence I have concluded that it most likely was. It follows therefore that I think reasonable to conclude that the wording on the form made customers aware that taking the PPI was not a requirement of an application for the credit card.

Following her application, PPI was applied to Mrs C's account – I therefore think it likely that this was as a result of a tick being applied in the *"Yes"* box. However, I have also considered the possibility that Mrs C did not consent to the policy and she either left both boxes blank or even ticked the *"No"* box. In that case, I am mindful that Mrs C paid for the policy for over ten years, and the cost of the policy was shown on her monthly credit card statements. Had Mrs C not consented to the policy, I find it reasonable to assume that she would have queried it much earlier than she did. Whilst I accept that Mrs C might not have seen all of her statements during the initial year or so that it was active, I find it unlikely she wouldn't have seen *any* of them

In summary therefore, I would conclude that on the balance of probability it is likely that the application form used by Mrs C would have led her to understand that Lloyds did not require her to take the policy as a condition of being granted the credit card nor did Lloyds give her the impression that it did. I also think it more likely than not that Mrs C actively chose to take the PPI policy, although given the passage of time, I accept that she may no longer remember doing so.

Finally I will consider whether the policy was suitable for Mrs C's needs and whether she was given appropriate information on which to base her decision to purchase the policy.

At the time of the sale, Mrs C was aged between 18 and 65 years and was working full time. She has told us she did not have any indication of impending unemployment or have any pre-existing medical conditions. It therefore appears that she was eligible for the cover provided under the policy and she would not appear to have been affected by any of the significant limitations or exclusions of the policy.

This policy, in the event of a successful claim, would have paid a monthly benefit of 10% of Mrs C's outstanding balance for up to 12 months in the event of her being unable to work due to accident or sickness, or her being unemployed. In the unfortunate event of Mrs C's death it would have paid off her credit card balance in full. Mrs C says that if she had been unable to work due to sickness she would have received six months full pay followed by six months half pay. The policy benefits would have been paid in addition to, and regardless of, any occupational benefits. The policy could therefore have provided Mrs C with a useful additional source of income at a difficult time, and in the event of a prolonged period of sickness, at a time when her income had halved.

Lloyds says that both verbal and written information about the policy would have been made available to Mrs C at the time of sale for her to consider whether she needed the benefits offered by the policy. I clearly do not know if Mrs C received, or understood, this information. It is therefore possible that this provision was insufficient to draw the key features of the policy to Mrs C's attention, however I do not consider a failure in this regard would have made her act differently. The information would have simply shown her that the policy benefits were competitive in the market, she wasn't affected by any of the main limitations or exclusions and that the policy might have been useful to her.

Lloyds has told us that the PPI cost 71p for every £100 of balance outstanding. I do not know how Mrs C was made aware of this cost. Additionally, it may not have been made clear that her premiums would need to continue to be met during a claim, and so the benefit was reduced because of that, or that the premiums were interest bearing. However, the policy provided a benefit to Mrs C that may have proved useful to her. On balance, I am not persuaded that, at the time of her application, Mrs C would have been put off by the cost, had it been made clearer.

In summary, while appreciating that with the benefit of experience and hindsight Mrs C might not make the same decisions about purchasing the insurance today, I am not persuaded that she was poorly advised by Lloyds. I think it more likely than not that she consented to the purchase of the PPI. The policy was suitable for her financial situation, and she was not disadvantaged by any of the conditions or limitations of the policy. As such I am satisfied that Mrs C would not have made a different decision about purchasing the policy even if she had been presented with clearer or more transparent information by Lloyds.

It follows that I do not uphold this complaint.

my final decision

For the reasons given above, I do not uphold the complaint or make any award against Lloyds TSB Bank plc.

Paul Reilly
ombudsman