

complaint

Miss O is unhappy with the compensation she's received from Lloyds Bank PLC (Lloyds) in relation to mis-sold payment protection insurance (PPI).

background

Miss O complained to Lloyds that she was mis-sold PPI with a loan she took out in September 2000. Lloyds looked into Miss O's complaint but said she wasn't due any compensation because she cancelled the loan 10 days after she took it out.

Miss O was unhappy with this as she says she had to pay £995 for the policy in order to cancel the loan. So she asked us to step in. Lloyds looked into her complaint again and said she would've been charged some of the PPI cost, but not all of it. It worked out she was due £434.37.

Miss O was unhappy with this amount as she said she paid much more than this. Lloyds recalculated her compensation and worked out she was due £326.24. Miss O cashed the cheque for this amount, but was still unhappy. Lloyds then said it would honour the higher offer it had made Miss O.

Our adjudicator looked into the complaint and thought Lloyds offer was fair. Miss O disagreed, so the complaint has been passed to me for a final 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.

Lloyds has agreed it mis-sold PPI to Miss O, so I don't need to look at how the policy was sold. I need to consider whether or not Miss O is due more compensation.

I think Lloyds' offer is fair and I'd like to explain why.

Lloyds has provided information from its internal records to show that Miss O did borrow an extra £915.99 to pay for the PPI policy upfront. But the records also show that £732.39 was then paid back on 22 September 2000 to reduce the amount owed on the loan. So whilst Miss O did initially borrow more to pay for the policy, I think Lloyds paid part of this money back at the time.

This means Miss O would've had to pay £183.20 to settle her loan early. So I would expect Lloyds to pay her this amount back, plus 8% per year simple interest for the time she was out of pocket. Lloyds has shown that it's worked out Miss O's refund in the way I'd expect it to and it's already paid Miss O £326.24.

But Lloyds has said it will still pay Miss O £108.13, so she receives the amount of the original offer. So overall I think the offer it's making is fair.

I know Miss O remembers paying in a cheque for £995 to cover the cost of the PPI. But considering everything as a whole, it looks like Lloyds did pay part of her PPI costs back to the loan. So whilst Miss O may have paid in a cheque in to settle her loan early, I don't think the majority of the money would've been to pay off her PPI.

my final decision

I think the offer Lloyds Bank PLC has made Miss O is fair.

I understand Lloyds Bank PLC still needs to pay Miss O £108.13, as it agreed to honour the higher offer it made. So I direct Lloyds Bank Plc to pay this as soon as possible.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 11 April 2016.

Amy Osborne
ombudsman