

summary of complaint

This complaint concerns a single premium payment protection insurance policy taken out in 2005 in connection with a loan. The policy provided accident, sickness and unemployment cover. The policy also cleared any outstanding balance in the event of death or a successful critical illness claim. Mr H says that Lloyds TSB Bank Plc ('Lloyds') mis-sold the policy.

my findings

I have considered afresh everything that Lloyds and Mr H have said and provided from the outset, in order to decide what is fair and reasonable in the circumstances. I have also taken into account any relevant regulatory rules as well as 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 on our website at:

www.financial-ombudsman.org.uk/publications/technical_notes/ppi/ombudsman-approach.html

The questions I need to consider therefore are whether:

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

However, if I am persuaded to find in Mr H's favour on one or other of the above, it does not automatically follow that his complaint should be upheld. Rather, I must then consider whether Mr H acted to his detriment as a consequence of any failing on Lloyds's part.

Lloyds have told us that it recommended the policy to Mr H during a telephone sales process. Mr H has told us that the policy was sold to him during a meeting without any advice being provided. As Mr H has also said that he was told to take the policy out, it seems more likely that Lloyds recommended the policy to Mr H. So it should have taken adequate steps to ensure that it was suitable for him.

Of course I cannot be sure about what happened when the policy was discussed. So I accept it is possible there were shortcomings in the way the policy was sold. However, having considered the position carefully, I am not persuaded I can safely conclude it was unsuitable to recommend the cover provided by the policy to Mr H, given his broader financial circumstances at the time of the sale. Or that it is more likely than not that Mr H would have acted differently had he been properly informed.

I say this because Mr H (who seems to have been eligible for the policy) does not appear to have been affected by any of the exclusions or limitations on the cover provided by the policy.

Secondly, Mr H appears to have had a need for the policy. Mr H has told us that his then employer would initially have paid him a good level of benefit if he were unable to work through sickness. However after six months this would have dropped significantly and Mr H has told us that he had no significant savings and no other policies in place to protect his

income in the event of sickness or unemployment. So it seems to me he would have expected to struggle financially if anything went wrong. Although Mr H previously appears to have been prepared to rely on these arrangements, he was taking on a new financial commitment which increased his indebtedness.

For these reasons, I find it plausible Mr H would have been interested in taking out additional cover. So, if the cost and level of cover provided by the policy was agreeable to him, I find it plausible that Mr H would have taken it out.

I can understand why, on reflection, Mr H might regard the cost of the cover as high. However, there is some evidence which suggests the cost of the cover was disclosed to him at the time (the loan agreement he signed sets out the single premium amount, the potential total cost of the policy and the monthly cost). I cannot be sure how much weight Mr H placed on this document (that largely depends on what he was told and the context in which the document was presented to him). But in this particular case, I am not persuaded I can safely conclude he was not aware of the cost of the policy, or that he found it unacceptable or unaffordable.

I have also considered that the costs of the policy in relation to the benefits it provided do not necessarily appear to be excessive. Mr H is likely to have needed to have been in claim for 15 months of the 71 months of cover to have fully recouped the cost of the policy. Considering this aspect of the cost and level of benefit provided by the policy and as it appears to have been affordable to Mr H, I find it unlikely it would have put him off taking it out had he fully understood the costs at the time.

In the circumstances, I do not think it would have been inappropriate to recommend he take out unemployment cover to fill a gap in his existing provision, *or* disability cover which would pay out in addition to and for longer than his employer would keep him on full pay. I also find it plausible that, for the same reason, Mr H would have been interested in taking out such cover.

I do have concerns about the way the policy was sold. The policy provided a non pro-rata rebate of the single premium amount upon cancellation (after the first 30 days), and is essentially inflexible. In my view, this could be problematic if Mr H considered it possible that he would repay or refinance the loan before the end of the scheduled term. However, whilst the loan was for a term of 71 months in total, it is not apparent to me that Mr H would necessarily have expected to require flexibility. Rather, it seems most likely to me he would have expected the loan to run its full term, which it did.

So although I cannot be sure if Lloyds gave proper consideration to this issue when recommending the policy, or met Mr H's information needs in this regard, I am not persuaded he would most likely have acted any differently if it had.

Mr H feels the business did not make clear that the policy was optional. Given the nature of these type of sales I can see there is a risk that some consumers might be put under pressure (whether intentionally or not) to buy such policies and I do not doubt that Mr H's submissions represent his honest recollections of what took place. But in deciding how much weight to attach to his submissions, I must take into account how long ago the sale of the policy took place and the resulting risk that memories can fade over a period of time.

As well as Mr H's testimony, I must also take into account the other available evidence, including the documentation completed at the time the policy was sold. I note that the policy

is presented on the credit agreement as “Optional Loan Protection”. Additionally, the ‘yes’ box to select the policy has been ticked, whilst the ‘no’ box remains blank. I note that the ‘yes’ box has been ticked using an electronic tick, rather than being handwritten. Whilst I cannot be sure of the conversation that resulted in the box being ticked, I am not persuaded that anything contained in the credit agreement should reasonably have caused Mr H to conclude that the PPI was not optional, or that acceptance of the loan application was dependent on him taking out the cover.

So, whilst accepting it is possible things happened just as Mr H says they did, I am not persuaded I can safely conclude it is more likely than not that he was told he *had* to take out the policy. Rather, it seems more likely to me that he was told he *should* do so, and for the reasons set out above I am not persuaded that was unsuitable advice.

So overall, even though I accept it is possible there were shortcomings in the way this policy was sold, having considered the position carefully I am not persuaded that Mr H would not have still chosen to take out the PPI policy with the loan if he had been properly advised and informed.

my final decision

My final decision is that I am not persuaded that Mr H has suffered detriment as a result of any shortcomings or possible shortcomings on Lloyds Bank Plc’s part when purchasing the PPI policy. It follows that I do not uphold Mr H’s complaint or make any award against Lloyds TSB Bank Plc.

Douglas Sayers
ombudsman