

## complaint

This complaint is about a loan payment protection insurance ('PPI') policy taken out in 2010. Mrs M says Lloyds Bank PLC (trading as Lloyds TSB) mis-sold her the PPI.

## my findings

I've 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 Mrs M's case.

I've decided the policy wasn't mis-sold because:

- I've seen a copy of Mrs M's loan agreement. In a section headed '*Loan Protection Insurance – Statement of Price*', there are six statements. The second statement says; '*This insurance is optional*' and Mrs M has signed below this to agree to take PPI.

On balance, I think Lloyds made it clear that Mrs M didn't have to take out the PPI and she chose to take it out – although I can understand why she can't remember this.

- Lloyds recommended the PPI to Mrs M so it had to check that the PPI was right for her – and based on what I've seen of her circumstances at the time, I think that it was. For example she wasn't affected by any of the exclusions to or limits on the PPI cover and she seems to have had a need for the cover.
- It's possible the information Lloyds gave Mrs M about the PPI wasn't as clear as it should've been. But she chose to take it out - so it looks like she wanted this type of cover. And it seems like it would have been useful for her if something went wrong. It also looks like it was affordable. So I don't think better information about the PPI would have put her off taking out the cover.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mrs M.

But Lloyds will pay back *some* of the cost of the PPI to Mrs M because:

- When the policy was sold, Lloyds expected to get a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mrs M about that. Because Lloyds didn't tell Mrs M, that was unfair.
- To put that right, Lloyds has basically offered to pay back the amount of commission and profit share that was above 50% of the PPI premium - and I think that offer is fair in this case.

I've thought about everything Mrs M has said - including what she's said about her existing means to make her repayments meaning that she didn't need PPI. But after 6 months, Mrs M's sick pay would have dropped significantly. For an accident or sickness claim, this policy could have paid out for the duration of the loan term, or the loan was repaid -

whichever was sooner. Given that this loan was to be repaid over 60 months, this could have potentially been a very useful benefit for Mrs M.

And Mrs M has said that she'd no other means to make her repayments. In the event of Mrs M being made unemployed, this policy would cover her repayments for up to 12 months. So I still think that the recommendation was suitable and the policy was right for Mrs M.

So these points don't change my decision.

### **what the business needs to do**

Lloyds has to pay back to Mrs M any commission and profit share it got that was more than 50% of the PPI premium. Lloyds should also pay back to Mrs M any extra interest she paid because of that.

Lloyds should pay back to Mrs M the extra she paid each month because the commission and profit share it got was more than 50% of the cost of PPI. Lloyds should also pay Mrs M 8%\* simple interest on each payment.

\*Businesses have to take basic rate tax off this interest. Mrs M can claim back the tax if she doesn't pay tax.

### **my final decision**

The PPI policy wasn't mis-sold – so Lloyds Bank PLC does not have to pay back all of the cost of the PPI to Mrs M.

But Lloyds Bank PLC does have to pay back to Mrs M any commission and profit share it got that was more than 50% of the PPI premium.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs M to accept or reject my decision before 18 July 2018.

Daniel O'Shea  
**ombudsman**