complaint

This complaint is about a payment protection insurance (PPI) policy which Mr M says Lloyds Bank Plc (trading at the time as Lloyds TSB) mis-sold to him.

I'll refer to "Lloyds" in this decision for consistency.

background

Mr M applied for a loan of £3,000 at a meeting in 1998 and he bought a single premium PPI policy at the same time. This type of policy cost £440 and meant that Mr M had to pay the full cost of the PPI cover in one 'up front' payment which he also borrowed from Lloyds. Both the loan and PPI part of the loan had 36 month terms and both also attracted interest.

Mr M says he didn't ever want PPI and didn't need it.

Our adjudicator said the complaint should be upheld but Lloyds disagreed and asked for an ombudsman's 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. 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 this case.

Having done this, I've decided to uphold Mr M's complaint.

We don't have any documentation left from this sale although given when it was, that's not surprising or unusual. However, we've seen quite a few similar complaints to this one and as a result we've looked very carefully at Lloyds selling methods. As a consequence, we know quite a bit about how these particular loans were sold in 1998.

We know, for example, that the particular Lloyds TSB loan Mr M took out was sold with a certain type of credit agreement. Lloyds also sent us what it thinks is an 'example' of the type of agreement that was used for this sale.

We don't think the optional nature of the PPI was made clear enough on this and having also looked carefully at what Lloyds has sent us, I don't think Mr M would have been aware he had a choice about whether or not to have PPI with his loan. On the example I've seen, there's no opportunity for Mr M to decline the policy.

Businesses had a duty to show that consumers didn't *need* to buy this type of PPI if they didn't want to. Lloyds failed to do this and so I don't need to look at any other aspects of the case.

Mr M wasn't given a choice so the policy was mis-sold.

what Lloyds should do to put things right

Mr M borrowed extra to pay for the PPI, so his loan was bigger than it should have been and he paid more than he should have each month. So Mr M needs to get back the extra he's paid. So Lloyds should:

- Work out and pay Mr M the difference between what he paid each month on the loan and what he would have paid each month without PPI.
- Add simple interest to the extra amount Mr M paid each month from when he paid it until he gets it back. The rate of interest is 8% a year†.
- If Mr M 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 M a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons set out above, I uphold this complaint. And I direct Lloyds Bank Plc to pay the compensation I've set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 8 November 2018.

Michael Campbell
ombudsman