Financial Ombudsman Service

complaint

This complaint is about a credit card payment protection insurance (PPI) policy taken out in 2003. Mrs R 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 R's case.

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

- I think Lloyds made it clear that Mrs R 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. I say this because Lloyds has given me a copy of the credit card agreement completed by Mrs R. There is an option to select PPI under the *'Optional Features'* section – this box has been ticked. I can see that other features in this section haven't been selected.

  Mrs R said that she was told she had to have the PPI to have the credit card however I can't see anything on the agreement that suggests the PPI was compulsory. I can also see that Mrs R cancelled the PPI in 2009 so if she felt she was told she needed to have the PPI to have the card I would have expected her to question this sooner than she did.

- Lloyds recommended the PPI to Mrs R 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 R 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 R.

But Lloyds will pay back *some* of the cost of the PPI to Mrs R 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 R about that. Because Lloyds didn't tell Mrs R, 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 R has said but for the reasons mentioned above these points don't change my decision.

what the business needs to do

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

Lloyds should re-work the credit card account and pay back to Mrs R the difference between what she owes and what she would've owed if the commission and profit share it got hadn't been over 50% of the cost of the PPI. Lloyds should also pay Mrs R 8%* simple interest if she paid off her credit card at some point.

*Businesses have to take basic rate tax off this interest. Mrs R 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 R.

But Lloyds Bank PLC does have to pay back to Mrs R 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 R to accept or reject my decision before 26 April 2018.

Jag Dhuphar
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