

## **complaint**

This complaint is about a single premium payment protection insurance (“PPI”) policy taken out in 2008. Mr M says Lloyds Bank PLC, trading as TSB (“Lloyds”) mis-sold him 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 Mr M’s case.

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

- I think Lloyds made it clear that Mr M didn’t have to take out the PPI and he chose to take it out – although I can understand why he can’t remember this.

Lloyds has given us a copy of Mr M’s loan agreement which includes a declaration specific to the PPI policy. The box has been ticked to say he wanted to take the policy and Mr M signed to confirm this, separately to signing for the loan itself. The cost of the PPI is also set out separately to that of the loan within the agreement, which I think indicates it is separate to, and not a condition of, the loan.

Mr M has referred us to the arrows on the agreement showing where to sign and said that the box was ticked by the advisor. I’ve considered this carefully. I can see there are arrows on the form pointing to this section of the agreement. But I can’t agree that this meant he would have thought he had to sign this section. Also, it’s possible the advisor did tick the box but as Mr M was taking out additional borrowing, I would have expected him to read the document before signing it to make sure he was happy with the information contained in it. And if he wasn’t I think he would have questioned this with the advisor before he signed separately for PPI and the agreement itself - so I think this reflected what he wanted at the time.

So, based on everything I’ve seen and been told, I think Mr M was aware the policy was optional and that he agreed to take it – knowing he didn’t have to.

- Lloyds recommended the PPI to Mr M so it had to check that the PPI was right for him – and based on what I’ve seen of his circumstances at the time, I think that it was. For example he wasn’t affected by any of the exclusions to or limits on the PPI cover and he seems to have had a need for the cover.

Mr M has told us he believes he wasn’t eligible for the policy as he was self-employed at the point of sale, and had only been so for approximately three to four months at the time. Having looked at the policy terms, in order to be eligible, Mr M needed to be employed, which included self-employment. There is no mention of a time period to be eligible. But I can see to make an unemployment claim Mr M would have needed to be working for a minimum period of six months either on the date that he signed the loan agreement or during the term of the PPI. The policy had a 30 day waiting period when making a claim until any payment would be made. I’ve thought about this carefully but I don’t consider having to wait a further one or two months before he could make a claim would have changed Mr M’s decision to take out the policy. Especially given that once he

had satisfied this six month requirement, he could've potentially been covered for up to five years – the term of the loan.

- It's possible the information Lloyds gave Mr M about the PPI wasn't as clear as it should've been. But he chose to take it out - so it looks like he wanted this type of cover. And it seems like it would have been useful for him if something went wrong. It also looks like it was affordable. So I don't think better information about the PPI would have put him off taking out the cover.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr M.

But Lloyds will pay back *some* of the cost of the PPI to Mr 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 Mr M about that. Because Lloyds didn't tell Mr 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 Mr M and his representative have said – including what they've said about Mr M having had various loans and the likelihood of him refinancing those loans. They say this means a single premium policy was not best suited to him. I don't know what was said to Mr M at the time about what would happen if he repaid his loan early but from looking at the documents available on file I haven't seen anything to suggest he made it clear that he needed flexibility when he took out the policy. So this point doesn't change my decision.

I've also noted Mr M said he had other PPI policies, but these would have covered the other products they were sold with. So I've not considered these further as this complaint is about the PPI sold with a Lloyd's loan in 2008.

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

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

Lloyds should pay back to Mr M the extra he paid each month on the loan because the commission and profit share was more than 50% of the PPI premium - including any extra Mr M paid if the loan was paid off early. Lloyds should also pay Mr M 8%\* simple interest on the extra paid each month.

\*Businesses have to take basic rate tax off this interest. Mr M can claim back the tax if he 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 Mr M.

But Lloyds Bank PLC does have to pay back to Mr 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'm required to ask Mr M to accept or reject my decision before 24 June 2018.

Staci Rowland  
**ombudsman**