complaint

Mrs M says Lloyds Bank Plc, trading at the time as Lloyds TSB, mis-sold a payment protection insurance ('PPI') policy to her, with a credit card.

background

In 2000 Mrs M opened a credit card account with Lloyds. She also took out a monthly premium PPI policy. It would meet 5% of her card repayments for up to 12 months if she was off work because of accident or sickness or if she lost her job, and it would pay off her account balance if she died.

Lloyds has told us the policy was cancelled in 2005. But Mrs M is complaining about how it had been sold to her back in 2000. Among other things, she says her job and employee benefits meant she didn't need the PPI.

Our adjudicator felt her complaint should be upheld. She didn't think Mrs M needed the PPI policy enough to make its benefits worth the cost for her, or that it was suitable for her. But Lloyds hasn't agreed, so the complaint's come to me to decide.

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 Mrs M's case.

Having done that, I've decided to uphold Mrs M's complaint. I'll explain why.

Mrs M and Lloyds are agreed that she took out the credit card in a Lloyds branch, and bought the PPI at the same time. I've seen the form she completed to apply for the card, and I think that's right – the 'yes' box for having PPI was ticked.

Lloyds accepts that it recommended the PPI to Mrs M. So Lloyds had to check the policy was right for Mrs M and also give her clear information about it, so she could fairly decide whether or not to have it. This included making her aware of the policy's cost and benefits, in a way that she could reasonably understand. I don't know what was discussed about the PPI before she took it out. But from what I've read and been told I don't think Lloyds gave her all the information it should've done, sufficiently clearly, or that the policy was suitable for her.

Looking at the application form for the card, it didn't tell Mrs M about the PPI policy's cost. Lloyds says this would've been explained in the meeting, before she agreed to have it – and that's possible. But I've not seen anything to show me clearly that it was, or that Mrs M would've properly understood the cost of the policy - for example that because the cost would be added to her account, she could be charged interest on the PPI premiums if she didn't pay the card balance in full each month. Or that she'd still have to pay the premiums when making a claim under the policy.

Mrs M may well have been given written details of the policy later, as well as getting statements on her account showing how much she'd been charged for it. But by the time she got that information she'd already agreed to have the PPI. So this wouldn't to my mind be enough to put right the earlier failings.

Overall, I've not been shown that Lloyds gave Mrs M clear and full enough information about the PPI before she agreed to have it. So I don't think she was in a position fairly to weigh up the cost against the potential benefits. And I think this would've been important to Mrs M, when she was deciding if the policy was something she wanted.

And having considered what she's told us about her situation at the time she bought the PPI, I think that if she'd got better information Mrs M probably wouldn't have taken it out. Nor do I think the policy Lloyds recommended was right for her needs.

That's because Mrs M has said she'd been in her public sector job for well over 20 years. She's told us that as well as having some small savings, she would've got good sick pay if she'd been unable to work owing to illness or injury. I think that's likely to be right. So she'd probably have been able to make her card repayments for quite some time without PPI. And the PPI would've only paid 5% of the outstanding balance on her card each month.

I think too that she would've felt her job was a fairly secure one, but anyway that she would've probably been entitled to a good redundancy package if she'd lost it.

Taking all of this into account, in her particular circumstances I don't think Mrs M would've considered the policy was very useful or good value for her, if she'd fully understood its cost and benefits. I don't think she would've felt she had a strong need for PPI. So in my view, on balance it's unlikely she would've bought the policy. I think she'd probably have taken out the credit card without PPI. Nor, for the same reasons, do I think the PPI was suitable for her.

This means she's lost out because of what Lloyds did wrong, and I think it's fair and reasonable to uphold her complaint. So I don't need to deal with the other issues she's raised about the sale.

putting things right

Lloyds should put Mrs M in the financial position she'd be in now if she hadn't taken out PPI. I'm told her credit card account has already been closed and the PPI has been cancelled. But the policy should be cancelled now, if it hasn't yet been, and:

A. Lloyds should find out how much Mrs M would've owed when her credit card account was closed, if the policy hadn't been added.

So it should remove the PPI premiums added, as well as any interest charged on those premiums. It should also remove any charges that were caused by the mis-sale of the PPI, as well as any interest added to those charges.

Lloyds should then refund the difference between what Mrs M owed when the card account was closed and what she would've owed if she hadn't had PPI.

If Mrs M made a successful claim under the PPI policy, Lloyds can take off what she got for the claim from the amount it owes her.

And if, as it tells us it has, Lloyds has already repaid to Mrs M any commission amount that relates to this sale of PPI, it can deduct that from the compensation to be paid now.

B. Lloyds should add simple interest on the difference between what Mrs M would've owed when her account was closed, from when it was closed until she gets the refund. The interest rate should be 8% a year*.

C. If - when Lloyds works out what Mrs M would've owed each month without PPI – she paid more than enough to clear her balance, Lloyds should also pay simple interest on the extra Mrs M paid. And it should carry on paying interest until the point when Mrs M would've owed Lloyds something on her card. The interest rate should be 8% a year*.

D. Lloyds should tell Mrs M what it's done to work out A, B and C.

* HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mrs M a certificate showing how much it has taken off, if she asks for one.

my final decision

For the reasons I've explained, I'm upholding Mrs M's complaint. Lloyds Bank Plc is to pay her the fair compensation I've described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 2 July 2020.

Chris Langford
ombudsman