complaint

Mr and Mrs D say Lloyds Bank PLC mis-sold them a payment protection insurance (PPI) policy.

background

Mr and Mrs D took out a mortgage with Lloyds (trading as TSB at the time) in 1993. In 1995 they took out a PPI policy to protect their monthly mortgage payments if either of them was unable to work due to accident, sickness or unemployment. Both the mortgage and the PPI were in Mr and Mrs D's joint names. The monthly benefit was split between Mr and Mrs D. So if either of them had made a successful claim on the policy it would have paid a portion of the monthly benefit. And it's likely that it would have done this for up to 12 months per successful claim.

Our adjudicator didn't uphold the complaint. Mr and Mrs D disagreed with the adjudicator's opinion so the complaint's been passed to me.

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 Mr and Mrs D's case.

Where the evidence is incomplete or inconclusive I need to decide what I think's most likely to have happened, based on the information I have.

I've decided not to uphold Mr and Mrs D's complaint. I'll explain why.

- Lloyds no longer has a copy of Mr and Mrs D's application for the PPI. I don't think that's surprising or unreasonable, given that the sale took place more than 20 years ago. I know that Mr and Mrs D have told us they thought the PPI was all part of the mortgage and didn't know it was an added extra. They've also told us that it was made to seem that unless they took out PPI, they wouldn't get a mortgage.

- But I've borne in mind that when Mr and Mrs D took out the PPI, they'd already had their mortgage for more than two years without PPI. So I think it's unlikely that they'd have thought that it was compulsory, or an integral part of the mortgage. Taking everything into account, I think it would have been clear to Mr and Mrs D aware that the PPI was optional. And I think they chose to add it to their mortgage, knowing that they didn't have to. But I can understand how they may no longer remember this, so long after the event.

- Lloyds no longer has a record of how the PPI was sold to Mr and Mrs D. And not surprisingly, Mr and Mrs D can't remember. I've assumed for the purposes of this decision that Lloyds recommended PPI to Mr and Mrs D. This means that it had a responsibility to check that it was suitable for them. But it doesn't look as if it was unsuitable, based on what I've seen of their circumstances at the time.

- Lloyds hasn't been able to provide a copy of the policy document that was in use when Mr and Mrs D took out the policy. So I've considered the oldest available policy document, which is from 1998. I think it's likely that the terms and conditions of the policy were similar to the one sold to Mr and Mrs D.

- I acknowledge that Mr and Mrs D have told us that they'd both have been entitled to some sick pay from their employers at the time. But based on the 1998 policy and other similar policies we've seen from around the time of sale, it's likely that if Mr or Mrs D had made a successful claim for accident, sickness or unemployment, the policy would have paid out for up to 12 months. That's significantly longer than Mr and Mrs D have told us they'd have been entitled to full sick pay for. What's more, the policy would have paid out in addition to any payments Mr and Mrs D received from their employers. So they could have used those to meet other day-to-day expenses.

- I've also borne in mind that the mortgage was a long-term financial commitment, and Mr and Mrs D's property could have been at risk if they'd fallen behind with their mortgage payments. So taking everything into account, I think the PPI could have been useful to Mr and Mrs D – especially as they've told us that aside from their employee benefits, they didn't have any other means they could have used to meet their monthly mortgage payments if they'd been off sick or been made redundant.

- It may be that Lloyds could have explained the cost of the policy better than it did. But I think Mr and Mrs D chose to take the policy. So it looks as if they wanted the cover it provided. And I've seen nothing to suggest they couldn't afford it. So even if Lloyds had given them clearer information about the cost, I think it's likely they'd still have bought it.

- It's possible Lloyds didn't point out the main things the policy didn't cover – for example, unusual employment arrangements, or existing medical conditions. But from what they've told us about their circumstances at the time, it's unlikely Mr and Mrs D would have been affected by any of these. So I don't think better information about the policy would have put them off taking it out.

my final decision

For the reasons set out above, I don't uphold Mr and Mrs D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 13 September 2019.

Juliet Collins
ombudsman