

complaint

Miss S complains about a monthly payment protection insurance policy ("PPI") added to her credit card account. She approached Lloyds Bank PLC ("Lloyds") in October 1997 for a credit card and it was during this transaction the PPI was added to her account. She complains on the basis that the PPI was mis-sold to her.

background

Miss S complained to Lloyds but they did not uphold her complaint. She then brought her complaint to this service whereupon an adjudicator who assessed her case also did not uphold her complaint. She has asked for an ombudsman to provide a final decision in relation to this matter.

my findings

I have included only a brief summary of the complaint above, but I have considered all of the available evidence and arguments from the outset in order to decide what is fair and reasonable in the circumstances. In doing so I have also taken into account the law and good industry practice at the time the policy was sold.

The key questions I will consider in this case are as follows:

- Whether Lloyds gave Miss S information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the insurance she was buying.
- If Lloyds was giving advice or making a recommendation, whether it took adequate steps to ensure the product being recommended was suitable for Miss S' needs.

If there were shortcomings in the way in which Miss S was sold the policy, I will also consider whether she is worse off as a result; that is, would she had done something differently – such as not taken out the policy – if there had been no shortcomings.

I have decided to not uphold Miss S' complaint. I explain why below

basis of sale?

In this case, Lloyds recommended the policy to Miss S so I have considered whether it was a suitable recommendation for her. The application form was completed in branch with an advisor and I can see that Miss S has completed the form and signed the agreement at this time. Lloyds also had to ensure that she had enough information about the insurance she was buying.

did Miss S have a clear choice when selecting the PPI?

Miss S has said that her mother selected the PPI when she took Miss S' first credit card payment into a branch. Essentially Miss S argues that her mother as a third party did not have the authority to agree to the addition of the PPI to Miss S' account. I have to assess all complaints before me based upon the balance of probabilities. That is to say what more than likely occurred from objectively assessing the evidence as a whole. Lloyds have provided me with the credit card application form that Miss S completed in branch in 1997. I have

carefully examined this form and there is a clear section entitled “*TSB Credit Card Payment Insurance*” and I can see that Miss S has ticked this section to add PPI. This is a contemporaneous document from the sale and I am satisfied that she has actively selected the PPI at the time of applying for the credit card. There is an equal choice to decline the PPI and on this basis I cannot safely say that Lloyds presented the PPI as a mandatory requirement to securing the credit card facility. It is just as likely that Miss S had read this section of the form and ticked to the addition of PPI. I note too she has not ticked to the credit card “Sentinel” protection for theft or fraud and on this basis I cannot say she wasn’t made aware of her choices. Miss S’ complaint does not succeed on this basis.

was the policy a suitable recommendation for Miss S?

As explained Lloyds had to ensure the PPI was a suitable recommendation for Miss S. As such I look towards what the PPI offered her at the time of sale when assessed against Miss S’ circumstances.

The policy appears to have been suitable for Miss S’ circumstances at the time. She was eligible for the cover and it was affordable for her. Miss S has explained that she had six month’s full pay and six month’s half-pay if she was unable to work due to accident and sickness. I note that the PPI paid beyond Miss S’ workplace benefits and would have cleared her outstanding balance on the 12th month of a valid claim. The policy provided a repayment in the event of accident, sickness or unemployment equivalent to 10% of her monthly outstanding balance on the credit card. Miss S has said that because the credit limit of the card was so low at the point of sale she could have maintained her monthly repayments based upon her workplace benefits. Given that she has selected the PPI on the application form I need to weigh-up the fact that she seemed interested in the policy and knew of her workplace benefits at the time. I cannot say that the PPI is rendered unsuitable for her given her workplace benefits. It is just as likely in my findings that she wanted the policy and has selected the policy despite her workplace benefits and in any event the PPI paid beyond her workplace entitlements. The policy provided a competitive benefit for her at relatively low cost in the market-place at the time and I cannot say that she would not have benefitted from the policy in any way. Although the policy included conditions limiting the cover for some people (for example, those with pre-existing medical conditions or the self-employed), it doesn’t appear these restrictions applied to Miss S’ circumstances either, so she could have benefitted from the full extent of the policy, if necessary. I find the policy was suitable for her.

did Lloyds provide Miss S clear and fair information about the PPI?

I’m not satisfied in this case that Lloyds drew Miss S’ attention to all the significant features of the policy. Lloyds say that she would’ve received the policy documentation at the point of sale. However, given the passage of time I cannot say with any degree of certainty that Miss S did. But it doesn’t automatically follow from this that I should uphold Miss S’ complaint. I need to be satisfied that Miss S has lost out as a result – in other words, that she would have acted differently (and decided not to take out the policy) if Lloyds had clearly explained all of the policy’s significant features.

I can see from the application form that the policy’s costs were stated just above where Miss S was asked to select. So this should have been apparent to her. I accept that Miss S might not have understood that she would have to keep paying for the policy during a claim – and that this meant the real benefit was actually slightly less than the 10% stated. But the policy’s cost and benefit were still relatively competitive in the market at the time and the benefit would still have paid out significantly more than Miss S’ minimum credit card

repayment each month. So, given that I think Miss S wanted the cover, that she could afford it and that she probably didn't expect the benefit to be a great deal more than it actually was, I'm not persuaded she would have been put off taking out the policy if the cost or benefit had been better explained.

Although I can't say either that the policy's exclusions and limitations were drawn to Miss S' attention, I don't think this would have mattered to her. I say this because her circumstances at the time lead me to think it unlikely she would have been caught by those terms. Essentially, I think Miss S wanted the cover and given that this policy was suitable for her and provided broadly what I think she expected, I'm not persuaded she would have made a different decision (and decided against taking it out) if any of the features had been better explained.

my final decision

I do not uphold this complaint and I make no award against Lloyds Bank PLC.

Daniel Lucas
ombudsman