

summary of complaint

This complaint is about a payment protection insurance (PPI) policy taken out in August 1999 in connection with a credit card. Mr B and his representative say that Lloyds TSB Bank Plc mis-sold the policy because he was not made aware of the optional nature of the policy; the costs of the policy were not made clear to him; and the suitability of the policy was never established.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The questions I need to consider in a case like this are:

- Whether Lloyds TSB gave Mr B information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying.
- Whether, in giving any advice or recommendation, Lloyds TSB took adequate steps to ensure that the product it recommended was suitable for his needs.

If there were shortcomings in the way in which Lloyds TSB sold the policy, I then need to consider whether Mr B is worse off as a result; that is, would Mr B have done something different - i.e. not taken out the policy - if there had been no shortcomings.

Lloyds TSB says that the sale of the policy took place in August 1999 and was conducted on an advised basis. It has supplied a copy of the application form completed and signed by Mr B on 6 August 1999, which indicates that the sale took place in a branch.

So not only did Lloyds TSB need to provide Mr B with clear, fair and not misleading information, it also needed to take reasonable steps to ensure that the policy was suitable for his needs.

Mr B says that the Lloyds TSB sales representative implied that taking out the policy would assist his credit application, that taking out the policy was essential to get the associated credit, and that Lloyds TSB did not tell him that the policy was optional.

Having looked at the evidence I am not persuaded that this is the case. The application form for the credit card had a separate section relating to PPI and this was set out under the heading '*Optional Features*'.

This section contained the following text: '*for the additional peace of mind of knowledge that you can continue to meet your minimum credit card payments even if you can't work due to accident, sickness or unemployment you can take out Asset Payment Protection*'. The form then presented the customer with the option to tick 'Yes' or 'No' boxes to accept or decline PPI. The two boxes had equal prominence. Mr B ticked the 'Yes' box.

The form also contained a section which asked customers if they were interested in '*Sentinel Card Protection*' and receiving more information about balance transfers. Mr B did not select either of these options. The next section asked customers to select one of four statement dates for their new credit card and I note that Mr B selected option 1.

All this leads me to conclude that Mr B chose the PPI option, but made no choice for two other offers before selecting his statement date. On balance this leads me to conclude that it is more likely than not that Mr B was aware that PPI was optional at the time.

At the time of the sale in 1999, Mr B met the eligibility criteria in terms of age, being a cardholder and was in good health, and would not therefore have been caught by any of the significant limitations and exclusions contained within the policy, such as those relating to pre-existing medical conditions that could limit the value of the policy in the event of a claim.

Mr B told us he had some savings with his partner, and the application form for the credit card indicates that he had only been in current job for one month at the time of the PPI purchase. Although Mr B has been unable to provide details of his occupational benefits, it seems reasonable to conclude that, in view of the very short length of time he had been with his employer; his occupational benefits would have been fairly limited.

It therefore seems to me that Mr B is likely to have felt there was a need for cover. I understand at the time he did not have any other policies in place which he could use to meet his repayments if off work through accident, sickness or unemployment. And while he had some savings he also told us he was saving up for a deposit on a flat. Accordingly I am not persuaded that the policy was an unsuitable recommendation for Mr B.

It is possible that the costs and benefits of this policy were not made clear. I note, however, that the cost of the policy appeared on his monthly credit card statements for several years after taking out the policy, yet he does not appear to have queried or objected to the level of these charges.

Lloyds TSB has told us that the PPI cost 75p for every £100 of balance outstanding. The policy paid out a benefit of 5% of his monthly outstanding balance for 12 months in the event of accident, sickness or unemployment and was at a higher level than any occupational provision. In the unfortunate event of Mr B's death it would have paid off his credit card balance in full. Whilst it may not have been made clear that premiums would need to be met during a claim, and so the benefit is reduced because of that, or that premiums were interest bearing, it nevertheless remains a competitive benefit and higher than some other similar policies of its type. On balance, I am not persuaded that Mr B would have been put off by the cost, had it been made clearer and I find it likely he would have proceeded with the policy, in any event.

In conclusion, I am not persuaded that Mr B was affected by any of the exclusions or limitations of the policy and the cost of the policy would not have been unattractive to him. Although I cannot be certain that Lloyds TSB explained the policy's exclusions, limitations and costs to him in a clear, fair and not misleading way, I am not persuaded Mr B would have decided against taking out the policy if he had been properly advised and informed and fully understood the position. Rather, it seems more likely to me that given his then circumstances he would have decided the policy provided valuable protection in relation to his credit card (and potential liability) and still gone ahead with it.

my final decision

My final decision is that I do not uphold Mr B's complaint and make no award against Lloyds TSB Bank Plc.

Andrew Macnamara
Ombudsman