complaint

This complaint is about a single premium payment protection insurance (PPI) policy taken out in 2004. Mrs W complains that Lloyds Bank plc trading as Lloyds TSB (Lloyds) mis-sold her the policy.

background

The PPI was added when Mrs W applied for a loan to buy a car. The term of both the loan and PPI was 84 months. Mrs W says she was led to believe she had to take the PPI in order to get the loan approved.

Our adjudicator in this case thought it should be upheld. Lloyds didn't agree and so the case has been passed to me for an ombudsman's decision.

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 this case.

Having done this, I've decided to uphold Mrs W's complaint.

This sale took place some time ago and I can fully appreciate how difficult it is for Mrs W to remember all the details. It's not disputed that Lloyds advised Mrs W to take out the PPI policy and that it took place in one of its branches. Lloyds was required to give her information that was clear, fair and not misleading, so Mrs W could make an informed choice about whether or not to buy the PPI. Having looked at available documents from the time, I don't think Lloyds did this.

I've looked at the loan agreement that Mrs W signed and don't think the costs are clear. I can see it included the cost of the single premium PPI and the loan it was added to. But it doesn't include the interest that would be added and so she wouldn't have seen the total cost of the PPI. The total cost of a product like this is an important piece of information that should be clear and I don't think that what Mrs W was presented with was clear enough.

I went on to consider whether this would have any difference to Mrs W. Lloyds accepted there might have been some shortcomings in the information they gave her but it said this wouldn't have made a difference to her decision to take the policy. I disagree.

If Lloyds had properly told Mrs W about the full costs, I think she'd have understood that the overall loan amount she was borrowing had significantly increased (by around 30%) because the PPI cost was being added to the loan. She'd also have understood the total cost of the PPI was much higher than the figure quoted on the agreement because of the interest being added to it. So I think Mrs W would have thought this meant the policy wasn't good value for her and I don't think she'd have taken it.

It follows that I think Mrs W has lost out because of what Lloyds did wrong and I therefore uphold this complaint.

what Lloyds should do to put things right

Mrs W borrowed extra to pay for the PPI, so her loan was bigger than it should have been. She paid more than she should have each month and it cost her more to repay the loan than it would have. So Mrs W needs to get back the extra she's paid.

So Lloyds Bank plc should:

- Work out and pay Mrs W the difference between what she paid each month on the loan and what she would have paid without PPI.

- Work out and pay Mrs W the difference between what it cost to pay off the loan and what it would have cost to pay off the loan without PPI.

- Add simple interest to the extra amount Mrs W paid from when she paid it until she gets it back. The rate of interest is and 8% a year†.

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

† HM Revenue & Customs requires Lloyds Bank plc to take off tax from this interest. Lloyds Bank plc must give Mrs W a certificate showing how much tax it's taken off if she asks for one.

my final decision

I uphold Mrs W's complaint. Lloyds Bank plc must pay Mrs W the compensation I've described above. Under the rules of the Financial Ombudsman Service, I am required to ask Mrs W to accept or reject my decision before 8 June 2015.

Michael Campbell
ombudsman