

complaint

This complaint is about a single premium payment protection insurance (PPI) policy taken out with a loan in 2004. Mr R says Lloyds Bank Plc (trading as Lloyds TSB) mis-sold him the PPI.

my findings

I've considered all the available evidence and arguments to decide what is 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 R's case.

I've decided the policy wasn't mis-sold because:

- I think Lloyds made it clear that Mr R didn't have to take out the PPI and that he chose to take it out – although I can understand why he can't remember this. Lloyds has given us a copy of the credit agreement completed for the sale. The option to select PPI has been ticked and Mr R has signed the agreement.

From what I know of Lloyds's sales processes at the time, the tick would have normally been pre-printed on the agreement – but so was other information, like the consumer's personal details. So I think it more likely that PPI was added after Mr R had a discussion with an advisor about the cover, in which he was offered a choice in buying PPI and he chose to take.

- Lloyds recommended the PPI to Mr R so it had to check that the PPI was right for him – and based on what I've seen of his circumstances at the time, I think that it was. For example he wasn't affected by any of the exclusions to or limits on the PPI cover and he seems to have had a need for the cover.
- It's possible the information Lloyds gave Mr R about the PPI wasn't as clear as it should've been. But he chose to take it out - so it looks like he wanted this type of cover. And it seems like it would have been useful for him if something went wrong. It also looks like it was affordable. So I don't think better information about the PPI would have put him off taking out the cover.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr R.

But Lloyds will pay back *some* of the cost of the PPI to Mr R because:

- When the policy was sold, Lloyds expected to get a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mr R about that. Because Lloyds didn't tell Mr R, that was unfair.
- To put that right, Lloyds has basically offered to pay back the amount of commission and profit share that was above 50% of the PPI premium - and I think that offer is fair in this case.

I've thought about everything Mr R has said - including what he's said about not being told he could source it elsewhere. But Lloyds wasn't required to tell him about policies that other

businesses sold, and if Mr R wanted to consider buying a policy with a different business, he could've done so. So these points don't change my decision.

what the business needs to do

Lloyds has to pay back to Mr R any commission and profit share it got that was more than 50% of the PPI premium. Lloyds should also pay back to Mr R any extra interest Mr R paid because of that.

Lloyds should pay back to Mr R the extra he paid each month on the loan because the commission and profit share was more than 50% of the PPI premium - including any extra Mr R paid if the loan was paid off early. Lloyds should also pay Mr R 8%* simple interest on the extra paid each month.

*Businesses have to take basic rate tax off this interest. Mr R can claim back the tax if he doesn't pay tax.

my final decision

The PPI policy wasn't mis-sold – so Lloyds Bank Plc does not have to pay back all of the cost of the PPI to Mr R.

But Lloyds Bank Plc does have to pay back to Mr R any commission and profit share it got that was more than 50% of the PPI premium.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr R to accept or reject my decision before 30 June 2018.

Jag Dhuphar
ombudsman