

## **complaint**

Mr and Mrs F have complained about being mis-sold regular premium payment protection insurance (PPI) policies by Lloyds Bank PLC ("Lloyds") alongside mortgage borrowing in 2001 and 2007.

## **background**

The background to the complaint was set out in my provisional decision dated December 2014, a copy of which is attached and forms part of this final decision.

In my provisional decision I set out why I was minded to uphold this complaint. I asked both parties to let me have their final submissions by January 2015. I have received no new representations from either side.

## **my findings**

I have reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. As neither party has provided any further evidence or arguments for consideration, I see no reason to depart from the conclusions set out in my provisional decision. It follows that I do not uphold this complaint.

## **my final decision**

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

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs F to accept or reject my decision before 12 February 2015.

Michelle Boundy  
**ombudsman**

## COPY OF PROVISIONAL DECISION

### **complaint**

Mr and Mrs F have complained about being mis-sold regular premium payment protection insurance (PPI) policies by Lloyds Bank PLC ("Lloyds") alongside mortgage borrowing in 2001 and 2007.

### **background**

It appears that Mr and Mrs F took out two policies with Lloyds - the first was taken out when Mr and Mrs F applied for their mortgage and covered the repayments on the initial loan. The second was taken out when they increased their mortgage borrowing in 2007 and it covered the new lending.

Both policies covered both Mr and Mrs F if either of them lost their income due to disability or unemployment. In the event of a successful claim on either policy Mr F would receive 80% of the benefit; Mrs F would receive 20%.

Our adjudicator did not uphold the complaint. Mr and Mrs F disagreed with the adjudicator's opinion and the case has been passed to me for final review and decision.

### **my provisional findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I think the relevant issues to take into account are the same as those set out in the note on our website about our approach to PPI complaints.

I would like to reassure Mr and Mrs F that I have carefully considered all of the points their representative has raised with us, though I might not address each of them directly in my decision.

I am considering not upholding Mr and Mrs F's complaint for the reasons set out below.

#### *how were the policies sold?*

It appears that the policies were taken out at meetings when Mr and Mrs F arranged their borrowing. Lloyds has agreed that it recommended the policies to them.

Mr and Mrs F say (of the 2001 sale) that they did not want the insurance, but the advisor told them that it was compulsory and they had to have it. Lloyds says it has never been a requirement to take out a PPI policy in order for an application to be accepted or approved.

While it is possible that the advisor said something to give Mr and Mrs F the impression they had to take out the policy, they have not explained what it was about the sale which led them to think this.

The sale was over 13 years ago now and I am mindful of the fact that memories can fade over time. The limited detail I have makes it difficult for me to understand *why* Mr and Mrs F felt it was compulsory, and so I cannot place more weight on their recollections than what Lloyds says about its sales processes from that time.

As this was an advised sale, it's possible the advisor may have strongly recommended the policy to them and said that it was something they *should* have, rather than something they had to have.

Having considered the paperwork I have available from 2001, I think it's likely that Mr and Mrs F were aware that they were agreeing to buy a PPI policy and had a choice in the matter because:

- I can see from their signed mortgage application that they had the option to accept or decline the policy. They had to tick a box to agree with the statement "*I wish to apply for C&G Payment Protection Plus cover and have completed the relevant proposal form at the back of this application form.*" The fact that they could decline it might have led them to query the advisor, had it been previously presented to them as compulsory. It doesn't appear that they did so at the time.
- They had to complete a separate application form to take out the PPI. I can see from this signed form that they made certain choices regarding the policy e.g. how the cover would be split between them. So I think they were actively considering their choices as they went through their application and would have been aware that they were agreeing to purchase something separate to their mortgage.

In 2007 Mr and Mrs F completed another PPI application when they applied for an advance on their mortgage. The PPI form was similar to the one they completed in 2001. Their signed advance application stated "*Optional Insurance – Payment Protection Plus covers your monthly mortgage payment in the event of accident, sickness or redundancy. You are not obliged to take this cover but should you wish to go through Lloyds TSB, the monthly cost for the term of your mortgage is shown opposite.*"

So I think Mr and Mrs F would have been aware that they had a choice in taking out this policy for the same reasons as in the earlier sale – they had to complete a separate application form for the policy and, although they did not have to select the insurance on their advance application form, it did state that the insurance was optional.

*were the policies suitable for them?*

As Lloyds recommended the policies, it had a duty to ensure it assessed their suitability for Mr and Mrs F. Even if there were issues in how Lloyds carried out these assessments, I consider that the policies were suitable for them for the following reasons:

- Mr and Mrs F were eligible for the policies and it does not seem that either of them were affected by significant policy exclusions, such as pre-existing medical conditions or unusual terms of employment. It seems they would both have been able to take advantage of the full range of benefits offered.
- Mr F has told us that in 2001 he was entitled to "*full pay followed by SSP [statutory sick pay]*" from his employer if he was unable to work. Mr F's representative has since confirmed that he was entitled to sick pay of six months full pay followed by six months half pay. Mrs F says she was not entitled to any sick pay. Lloyds says that the policy would have provided cover for a maximum of 12 months per claim if either Mr F or Mrs F were unable to work because of disability. The policy also offered unemployment cover for the same maximum period per claim, and all benefits would have been paid out in addition to any employee benefits Mr F or Mrs F had. Mr and Mrs F could reclaim on the policy, subject to a minimum requalification period. So I

think that, although Mr F was entitled to some sick pay, the policy did not duplicate their existing means.

- It appears from their mortgage applications that both Mr and Mrs F had changed jobs by 2007. I don't know what sick pay either of them might have been entitled to at this point, but I don't have any reason to believe it would have duplicated the disability cover offered by the policy. Again, the policy would also have covered them for unemployment, been paid in addition to any existing employee benefits and covered them for the lifetime of the mortgage (subject to requalification periods). Furthermore Lloyds has provided a '*Demands and Needs*' statement signed and dated (2007) by Mr and Mrs F in which they state they are not sure they could meet their mortgage payments in the event of disability or unemployment.
- The cost of the first policy was just under £16 per month or about 6% of the policy benefit. The policy to cover the additional borrowing in 2007 cost £22 or 7% of the benefit. These costs were, in my view, competitive in the market at the time. I have seen nothing to suggest that the costs were unaffordable for Mr and Mrs F.
- Mr and Mrs F's representative has told us that they had some savings they could have used to cover their repayments if either lost their income. They may not have had these savings available to them, however, when they needed them. They might have appreciated the protection the policies afforded their savings, especially if either of them had to make a lengthy claim.
- The policies were paid monthly, did not attract interest, and could have been cancelled on notice. They therefore offered Mr and Mrs F the flexibility of cancelling if they no longer wished to have the cover or if their circumstances changed.

In summary, I think Mr and Mrs F had some need for the policies and appear to have been eligible for them. I think someone in their position might have found the cover attractive as it would have protected repayments on their home at what would likely be a difficult time financially if either of them lost their income.

*were Mr and Mrs F's information needs met?*

Lloyds had a duty to provide enough information to enable Mr and Mrs F to make an informed decision about the policies. Mr and Mrs F say that the terms and conditions, including the cost, were not explained to them.

Having looked at the paperwork for both the initial sale in 2001 and the advance in 2007 I think that it's likely Mr and Mrs F would have been aware of the cost and benefit of the policies because:

- the PPI application in both 2001 and 2007 set out the benefit split stating that it must equal "*100% of your monthly mortgage payment*".
- Mr and Mrs F's 2001 mortgage application does not mention the cost of the policy. The monthly cost is set out on their PPI application, but in a section entitled "*office use*" so I cannot be certain they saw this prior to signing the PPI form. The cost was set out in the policy schedule however, which states "*Your first premium will be £15.69 and collected on ... 2001*". Though this is unsigned by Mr F or Mrs F, it does contain their particulars and I think they would have seen this or something similar.

- the monthly cost of the policy was set out on Mr and Mrs F's 2007 advance application as £22.50.

Lloyds says that Mr and Mrs F would have been provided with policy summaries and booklets which explained the policy features. But I don't know when, or if, Mr and Mrs F received these documents.

It may be that Lloyds could have provided more or clearer information to them when they were making their decision about taking out the policies. However, I don't think it would have revealed anything which would have put them off taking them out because I think the policies were suitable for them for the reasons set out above.

I have also considered the points raised by Mr and Mrs F's representative about the non-disclosure of commission payments. I am not clear if there has been any failing on the part of Lloyds in relation to disclosure of commission, but in any event, given my other findings I don't think that disclosure of any commission paid (if it was) would have caused Mr and Mrs F to make a different decision.

So I can't say that Lloyds mis-sold the policies to Mr and Mrs F. I appreciate this will come as a disappointment to them but it follows that I don't uphold their complaint.

#### **my provisional decision**

I am considering not upholding Mr and Mrs F's complaint against Lloyds Bank PLC.

I now invite the parties to make further submissions by [REDACTED]. At the end of this period, or when both parties have commented, I will reconsider the case in the light of any further submissions before reaching a final decision.

Michelle Boundy  
**ombudsman**