

complaint

Mr J says Lloyds Bank PLC (trading as Lloyds TSB) mis-sold him a payment protection insurance ('PPI') policy.

background

Mr J bought the policy in 2003 at the same time as taking out a credit card.

There's some uncertainty over how the policy was sold. But I've considered that it was sold in a meeting where Lloyds made a recommendation to take PPI. This places more responsibility on Lloyds as it means they had to take reasonable steps to check that the PPI was right for Mr J.

Our adjudicator didn't uphold the complaint. Mr J disagreed with the adjudicator's opinion, so the complaint has been passed to me.

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 Mr J's case.

I've decided not to uphold Mr J's complaint because:

- I think Lloyds made Mr J aware that he had a choice about buying the PPI, and that he chose to take it.

I say this because I've seen a copy of Mr J's credit card application. It had a section headed '*Optional features.*' One of the options in this section was for PPI. There were 'Yes' and 'No' options available. There's a tick next to the 'Yes' option and Mr J has signed the form. So I think this indicates that he wanted PPI.

I know that Mr J disagrees with this, as he feels that he wasn't told PPI was optional and that he had to have it to get the credit card. But the paperwork I've seen presents PPI as optional and separate to the credit card. I've also noted that Mr J wasn't sure about how or when he was sold PPI. So it's understandable that he may not remember everything clearly after such a long time.

- Lloyds recommended the PPI to Mr J, and it seems to have been right for him based on what I've seen of his circumstances at the time.
- It's possible the information Lloyds gave Mr J about the PPI wasn't as clear as it should've been. But Mr J doesn't appear to have been affected by any of the main things the policy didn't cover – and based on what I know about his circumstances it looks like the policy could've been useful to him. So I don't think better information would've stopped him buying it.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr J.

But Lloyds will pay back *some* of the cost of the PPI to Mr J 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 J about that. Because Lloyds didn't tell Mr J, 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 J has said, but these points don't change my decision.

what the business needs to do

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

Lloyds should re-work the credit card account and pay back to Mr J the difference between what he owes and what he would've owed if the commission and profit share it got hadn't been over 50% of the cost of the PPI. Lloyds should also pay Mr J 8%* simple interest if Mr J paid off his credit card at some point.

*Businesses have to take basic rate tax off this interest. Mr J 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 J.

But Lloyds Bank PLC does have to pay back to Mr J any commission and profit share it got that was more than 50% of the PPI premium – if it hasn't already done so. I understand that Lloyds Bank PLC has already sent Mr J an offer, but it's not clear if he has accepted the offer or not.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr J to accept or reject my decision before 3 September 2018.

Daniel O'Shea
ombudsman