

complaint

This complaint concerns a single premium payment protection insurance (PPI) policy taken out in conjunction with a loan in 2005. Mr B complains that the PPI was mis-sold by Lloyds Bank Plc (Lloyds TSB).

my findings

I have included only a brief summary of the complaint above, but I have considered all of the available evidence and arguments in order to decide what is fair and reasonable in the circumstances. I have also taken into account relevant regulations, the law and good industry practice at the time the policy was sold.

It seems to me that the relevant considerations in this case are materially the same as those set out in the section of our website explaining how we deal with PPI complaints.

The overarching questions I need to consider 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 PPI he was buying and, whether in giving advice or recommendation, Lloyds TSB took adequate steps to ensure that the product was suitable for Mr B's needs.

If there were shortcomings in the way the policy was sold, I will consider whether they affected Mr B's position and whether he would have acted differently if there had not been any shortcomings.

Mr B says that he was not given any option about taking out PPI and that it was just added to the loan automatically.

It seems the sale took place in a branch of the bank. There is limited information about what was discussed at the point of sale, so I have looked at the available paperwork to try and gain a view about whether Mr B knew that he had a choice about purchasing PPI.

The credit agreement has a section entitled 'OPTIONAL LOAN PROTECTION?' and next to this there are 'YES' and 'NO' boxes. These boxes are given equal prominence. The yes box has a cross in it indicating that Mr B chose to purchase it.

I note that the yes box is pre-populated with the cross and that Mr B didn't have to fill it in himself. However Mr B has signed the agreement to confirm that he agrees to its terms. The section for PPI is immediately above where he had to sign, so in my view, his attention would have been drawn to the yes and no boxes.

From the layout of the form I think that Mr B would have known (or ought reasonably to have known) that the policy was optional and not a compulsory part of the loan agreement.

Both parties agree that this was an advised sale. This means that Lloyds TSB had a duty to ensure that the policy was suitable for Mr B's circumstances. In this case I am persuaded that the PPI was a suitable recommendation for him. I say this because:

- Mr B was eligible for the policy and would not have been caught by any of the significant limitations, for example he did not have a pre-existing medical condition that would have been excluded. So he could have benefited from the policy if the need had arisen.

- Mr B says that he would have received help from relatives if he had been unable to meet his repayments. However, I don't think that this argument necessarily made the policy inappropriate. Mr B had no other personal means of being able to make the repayments and having PPI would have reduced his reliance on family and friends. It's not unreasonable that someone in Mr B's situation should have an interest in protecting his loan repayments.
- Although Mr B was self-employed, the unemployment terms of the policy are not particularly onerous towards the self-employed. Mr B has said that he couldn't have made himself redundant and therefore couldn't have claimed. However he could have become unemployed, in the sense that the income from his business reduced to the extent that he couldn't meet his reasonable living expenses and therefore he had to sign on for benefits. He could have made a successful claim in these circumstances and therefore the policy was suitable.
- I have considered that Mr B might have wanted a cost effective PPI arrangement. The policy cost £60.35 per month. In my view, the policy could have provided someone in Mr B's circumstances with valuable cover at a cost that was affordable to him. Mr B was taking on a new financial commitment and it would not have been unsuitable advice for Lloyds TSB to recommend he protect his repayments.

It follows that I am satisfied that the policy was a suitable recommendation for Mr B.

I will now consider whether Lloyds TSB provided sufficient information for Mr B to make an informed choice, and if not, whether this is likely to have affected his decision to take out the policy.

Mr B says that he wasn't aware that he would be paying interest on the initial PPI premium. So looking at the credit agreement again, I can see that the cost of the PPI has been broken down and shows the price of the premium, the amount of interest payable and then the overall cost of the policy.

Again, given that the PPI section was positioned just above where Mr B had to sign, I take the view that he would have seen these costs. I think that they were presented in such a way that Mr B could have understood the total cost, including that he would be paying interest on the premium.

I don't know what was said during the meeting and how much Mr B would have understood about the wider terms and conditions of the policy. So I accept that there may have been some shortcomings in the way that Lloyds TSB presented the information.

However, even if there were some failings, I am not persuaded that Mr B would necessarily have taken a different course of action, and decided not to take out the policy. As I have explained, his circumstances do not suggest he would have been caught by any of the policy's main limitations or exclusions, and so he could have benefitted from the full extent of the policy. So I am not persuaded that full knowledge of the limitations and exclusions would have deterred him from taking the PPI out.

Whilst I accept it is possible there may have been shortcomings in the way the policy was sold, I am not persuaded that Mr B has been disadvantaged as a result. It seems to me that he appears to have chosen to take out the insurance, had a need for it, and could have

benefitted from the cover provided. I am not persuaded that the policy was unsuitable or that Mr B would have acted differently and declined the policy had he been better informed.

It follows that I am not persuaded that the policy was mis-sold.

my final decision

For the reasons set out above, my final decision is that I do not uphold this complaint and make no award against Lloyds Bank Plc.

Carole Clark
ombudsman