

complaint

This complaint concerns a single premium payment protection insurance (PPI) policy taken out in conjunction with a loan with Lloyds Bank PLC (trading as Lloyds TSB) in April 2007. Both the loan and the PPI cover were taken out for a term of years.

Mr H, who is represented by a third party, complains that he was mis-sold the policy.

background

In April 2007 Mr H applied for a loan and at the same time a PPI policy was purchased. The policy included cover for accident, sickness and unemployment.

Mr H complained to Lloyds TSB about the sale of the policy. Unhappy with their response, he brought his complaint to this service.

Our adjudicator considered the complaint and recommended that it should not be upheld. Mr H and his representative do not agree and have asked that the complaint be referred to an ombudsman for final decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

In doing so I have taken into account any relevant regulatory rules, 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 key questions I need to consider, therefore, are:

- whether Lloyds TSB gave Mr H information that was clear, fair and not misleading in order to put him back in a position where he could make an informed choice about the PPI policy he was buying; and
- whether, in giving any advice or recommendation, Lloyds TSB took adequate steps to ensure that the PPI policy was suitable for Mr H's needs.

If there were any shortcomings in the way the policy was sold, I need to decide if Mr H is worse off as a result. That is, would he be in a different position to the position he finds himself in now if there had not been any shortcomings.

After careful consideration, I have decided not to uphold Mr H's complaint. I set out my reasons below.

Lloyds TSB recommended the policy to Mr H so I have to consider whether the policy was a suitable recommendation for him and if the information provided to him was clear, fair and not misleading.

Mr H has complained that the policy was added to the loan without his consent and that he only discovered that he had the PPI cover at a later stage. He also says that he was not informed that the PPI was optional. I see from the credit agreement that Mr H was required to tick a box confirming that he wished to purchase the PPI cover. He also needed to sign the agreement to confirm that he wanted the cover. This was in addition to signing the credit agreement itself. I consider it likely that Mr H would have carefully considered the content of the credit agreement before signing it, in which case it is likely he would have been aware that he was taking out the insurance, and that he had a choice whether or not to do so.

I do not know how the PPI cover was described to Mr H in the meeting, and it is possible that something could have been said that left him confused about the policy. However, I am satisfied, based on the balance of probabilities, that Mr H would have been aware that he had a choice about purchasing the cover and that, at the time of taking the loan, he had decided to protect his mortgage payments with the policy.

I am also satisfied that the policy was suitable for Mr H's circumstances at the time. On reviewing the available information including submissions made by Mr H when making his complaint, I see that Mr H was in good health, stable employment and fulfilled the eligibility criteria for the policy. Although the policy included conditions limiting the cover for some people (for example, those with pre-existing medical conditions), it doesn't appear that these restrictions applied to Mr H's circumstances, so he could have benefitted from the full extent of the policy, if necessary.

Mr H tells us that he was self-employed at the time of the sale and that because of this the PPI cover was unsuitable. Having reviewed the terms of the policy, however, I am satisfied that the PPI would be suitable for him. As a self-employed person Mr H had no entitlement to sick pay but he was still able to benefit from the PPI cover, if it was necessary for him to make a claim.

In the event of a successful claim, the PPI cover provided a monthly benefit equivalent to the monthly repayments due under the loan agreement. This was for up to 12 months in the event of unemployment and, in the case of accident or sickness, until the policy holder had recovered or returned to work. The policy also included critical illness and life cover.

Mr H says that his wife would have helped with the loan repayments. However, I am not persuaded that it follows that the PPI cover would be unnecessary. I say this because the purpose of the PPI cover was to remove the additional pressure of maintaining loan repayments in the event of being unable to work, which would very likely be a difficult time financially. This PPI policy provided Mr H with cover for a sustained period which is something which his wife may not be able to do easily because individual financial circumstances are always subject to change. So I am not persuaded that Mr H would have had a guaranteed alternative source of meeting his repayments for the full 12 months in the case of unemployment or for the duration of the loan in the event of accident and sickness.

There is nothing obvious in Mr H's circumstances to suggest to me that the cost of the policy was unaffordable for him.

I see that the policy did not offer a pro-rata refund if cancelled within the term. This can be a problem where consumers require flexibility to either cancel or repay a loan early. Mr H has told us that he took out the loan for his personal use and Lloyds TSB says that it was to fund a car purchase. Whichever is the case, this does not suggest to me that he had a pressing need for flexibility (as it might if he had taken it out to consolidate existing debt). And Mr H

has not told us anything else about his circumstances that might indicate he had a need for flexibility at the time of the sale. So I think it most likely that Mr H would have expected the loan and policy to run to term when taking them out. I am therefore satisfied that this PPI cover was a suitable policy to recommend to him, given his circumstances.

I am also satisfied that the loan agreement sets out the PPI premium, the monthly repayments and the total amount payable. I cannot however be satisfied that Lloyds TSB drew Mr H's attention to all the significant features of the policy, or that it fulfilled all his information needs. But it does not automatically follow from this that I should uphold Mr H's complaint. I need to be persuaded that Mr H has lost out as a result – in other words, that he would have acted differently (and decided not to take out the policy) if Lloyds TSB had clearly explained all of the policy's significant features.

However, I don't think this would have mattered to him so that he would still have gone ahead and taken the policy. I say this because what I know about Mr H's circumstances at the time do not lead me to conclude that he would be adversely affected by the terms of the policy.

Essentially, I am satisfied that Mr H accepted the cover and given that it was suitable for him, I am not persuaded that he would have made a different decision and decided against taking out the cover, if any of the features had been better explained.

my final decision

For the reasons set out above, I do not uphold Mr H's complaint and make no award against Lloyds Bank PLC, trading as Lloyds TSB.

Michael Goldberg
ombudsman