



## **complaint**

This complaint is about two payment protection insurance (PPI) policies taken out in 2003 and 2004 in connection with two loans. Mr J says that Lloyds TSB Bank Plc mis-sold the policies. Mr J has also complained that Lloyds participated in *'irresponsible lending'* in granting him the two loans.

Following the initial complaint, Lloyds TSB agreed to uphold the complaint about the mis-sale of the PPI policies and made an offer to Mr J in 2009. Mr J initially declined the offer of redress because he did not have any confidence in Lloyds TSB's ability to perform the required calculations accurately.

## **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.

In examining this complaint, my remit is limited to investigating the PPI elements of the dispute. I have not considered Mr J's comments concerning irresponsible lending and unaffordable lending, as these matters were the subject of a complaint that he raised several years ago. A final decision in this regard was issued to him in February 2007, and his complaint was rejected.

Turning now to the matter of the PPI policies, since Lloyds TSB has already accepted that it mis-sold these policies to Mr J, I do not need to consider the merits of this complaint again here. I need to decide whether the method used by Lloyds TSB to determine what compensation Mr J is due, if any, is fair and reasonable.

Our general approach to calculating redress for PPI mis-sales in connection with a loan is that the business, in this case Lloyds TSB, should put the consumer, Mr J, back in the position he would have been in now if he had taken out the loans without the PPI policies.

Accordingly, our general approach requires Lloyds TSB to:

- (A) arrange for the loans to be restructured (without charge to Mr J) so that:
  - any amounts outstanding in respect of the PPI (including any interest and charges) are cancelled; and
  - the number and amounts of any future repayments (including any interest and charges) are the same as would have applied if Mr J had taken the loan without PPI;
- (B) calculate, and pay Mr J, the amount of the net payments that will make up to the time of settlement in respect of the PPI (including any interest and charges) by comparing:
  - the payments actually made;
  - the payments which would have applied if he had taken the loan without PPI; and
  - add interest on each of these net payments at the rate of 8% per year simple from the date of each payment to the date the compensation is paid;
  - less any premium refund actually paid to Mr J on cancellation of the policy; and
- (C) set out in writing for the consumer the amount outstanding, and the number and

amount of future payments, under (A); and the details of the calculation under (B). Some of the confusion surrounding the calculation relates to the current position of the PPI policies. In an early communication from this service, Mr J was advised that his acceptance of a settlement from Lloyds TSB would result in the cancellation of the PPI policies. This is our standard wording to consumers and it is intended to ensure that they are aware they will lose the protection provided by the PPI policy. In this particular case, however, this was not appropriate, because Mr J's policies had already been cancelled by Lloyds TSB.

When the two loans with which the policies were associated fell into arrears, the PPI policies were cancelled and the outstanding loan balances were transferred to a debt collection agency. This took place in October 2005.

Because the loans only started in December 2003 and September 2004, the cancellation of the policies in October 2005 is the *'Early Settlement'* to which Lloyds TSB refers in its calculations of redress. These early settlements involved a 'refund' or 'rebate' of part of the PPI premiums. Because the accounts were in default and being passed to a debt collection agency, these refunds were applied to the loan balances to reduce the overall outstanding debt.

I have reviewed the calculations provided by Lloyds TSB together outlining its offer of redress, and it seems to me that Lloyds TSB has calculated redress in accordance with our guidelines and general approach, and that the offer it has made is appropriate, fair and reasonable in the circumstances.

Mr J also told us that he believed Lloyds TSB ought to pay him an additional amount which he describes as *'indirect losses'*. These 'losses' have been annotated with the names of the various debt collection agencies responsible for managing the two outstanding loans.

In August 2012, our adjudicator advised Mr J that there was no connection between these debt collection agency charges and the mis-sale of the PPI policies; the transfer of the Lloyds TSB loans to external debt collection agencies was not a result of PPI being mis-sold.

Furthermore, the arrears balances on the loan accounts, and the subsequent transfer of these loan accounts to external debt agencies would likely have taken place whether or not Mr J had purchased the two PPI policies. I have seen nothing that causes me to reach a different conclusion.

### **my final decision**

For the reasons set out above, my final decision is that I do not uphold Mr J's complaint against Lloyds TSB Bank Plc.

Andrew Macnamara  
**ombudsman**