

## complaint

This complaint is about a loan payment protection insurance ('PPI') policy taken out in 2010. Mr P says Lloyds Bank PLC (trading as Lloyds TSB) mis-sold him the PPI.

## my findings

I've considered all the available evidence and arguments to decide what is 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 P's case.

Mr P has said that this policy was sold during a meeting. But the evidence I've seen suggests that this policy was sold during a phone call, before Mr P was sent the loan agreement to sign.

I've decided the policy wasn't mis-sold because:

- I think Lloyds made it clear that Mr P didn't have to take out the PPI and he chose to take it out – although I can understand why he can't remember this.

Although I haven't heard a recording of the call during which PPI was taken out, I've seen the sales script that Lloyds say their adviser would have followed during the call. If the adviser followed this script, they would have made it clear to Mr P that PPI was optional before getting his consent to taking the policy. But I haven't heard the call.

What I have seen is a copy of Mr P's loan agreement, sent to him after the phone call. It required Mr P to both tick and sign separately for PPI. Mr P has said that he may not have ticked for the PPI, but signed the form.

I think this is unlikely. I say this because I think Mr P would have questioned why Lloyds would send him a PPI policy document and why he was paying over £37.00 extra per month for PPI if he hadn't agreed to take it. I think it's more likely than not that Mr P both ticked and signed for the policy. Given that this sale took place some time ago, it wouldn't be reasonable for Mr P to remember every detail from the sale.

- Although Mr P says Lloyds didn't recommend the PPI. I think they did. I say this because I've seen a copy of a *'demands and needs statement'* that Lloyds say is relevant to this sale. This holds Lloyds to a higher level of responsibility, as it means Lloyds had to check that the PPI was right for Mr P – and based on what I've seen of his circumstances at the time, I think that it was. For example, he wasn't affected by any of the exclusions to or limits on the PPI cover and he seems to have had a need for the cover.
- It's possible the information Lloyds gave Mr P about the PPI wasn't as clear as it should've been. But he chose to take it out - so it looks like he wanted this type of cover. And it seems like it would have been useful for him if something went wrong. It also looks like it was affordable. So I don't think better information about the PPI would have put him off taking out the cover.
- Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr P.

But Lloyds will pay back *some* of the cost of the PPI to Mr P 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 P about that. Because Lloyds didn't tell Mr P, 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 P has said - including what he's said about not needing PPI as he had sufficient existing means to make his repayments. But this policy would have paid out in addition to, and for longer than Mr P's existing means. I say this because this policy could have paid out for the remaining term of the loan for a successful accident or sickness claim. So, even though Mr P may well have had a generous sick pay entitlement the PPI could still have been useful for him.

So these points don't change my decision.

#### **what the business needs to do**

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

Lloyds should pay back to Mr P the extra he paid each month because the commission and profit share it got was more than 50% of the cost of PPI. Lloyds should also pay Mr P 8%\* simple interest on each payment.

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

But Lloyds Bank PLC does have to pay back to Mr P any commission and profit share it got that was more than 50% of the PPI premium.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr P to accept or reject my decision before 8 June 2018.

Daniel O'Shea  
**ombudsman**