Financial Ombudsman Service

complaint

This complaint concerns the sale of regular card payment protection insurance ("PPI") policy, sold in conjunction with a credit card in 2002 by Lloyds TSB Bank Plc ("Lloyds").

Miss A says she was mis-sold the policy.

background

The adjudicator concluded that the complaint should not be upheld because Lloyds made clear the purchase of the policy was optional and the policy would likely have covered Miss A in the event that she was unable to work due to accident, sickness or unemployment. She also found that the policy was suitable to Miss A's needs.

my findings

I have included only a brief summary of the complaint above, but I have considered all of the available evidence and arguments from the outset in order to decide what is fair and reasonable in the circumstances.

In doing so I have also taken into account 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 PPI section on our website.

The key questions I will consider in this case are as follows:

- whether Lloyds gave Miss A information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the insurance she was buying.
- if Lloyds was giving advice or making a recommendation, whether it took adequate steps to ensure the product being recommended was suitable for Miss A's needs.
- if there were shortcomings in the way in which Miss A was sold the policy, I will consider whether she is worse off as a result; that is, would she have done something differently- such as not taken out the policy – if there had been no shortcomings.

After careful consideration of all of the evidence and arguments I have decided not to uphold Miss A's complaint. These are my reasons:

basis of sale

I have considered the information provided by both parties in respect of how this policy was sold. Miss A says that Lloyds did not provide her with any advice when the PPI was sold to her however she also says that the sale took place during the course of a meeting.
Lloyds agrees that the PPI was sold in a meeting and says that they did recommend Miss A take out the insurance. Given the sale took place during the course of a meeting in branch and because Lloyds says the PPI was recommended by them I find it more likely than not

that this was an advised sale. As such, Lloyds had a duty to recommend a policy that was suitable to Miss A's specific needs.

was the optional nature of the policy made clear

Miss A makes the point that the policy was added to her credit card without her knowledge or consent.

Having considered the information Lloyds says would have been contained in the documentation provided to Miss A at the time of applying for her credit card, I am not persuaded that the PPI was added without Miss A's knowledge or that it was not made clear it was optional. This is because the application form required Miss A to tick to a box to indicate whether she wanted to purchase PPI under a heading entitled "Optional Features".

suitability of the policy

After carefully reviewing the evidence I take the view that Lloyds did take adequate steps to ensure the suitability of the policy for Miss A's needs.

I say this because I have not seen anything in the evidence to indicate that Miss A did not have a need for the policy. Miss A appears to have fulfilled the conditions of eligibility for the policy and was not affected by any of the significant exclusions and limitations at that time, such as a pre-existing medical condition or unusual terms of employment. In addition the information Miss A has given about work benefits and savings suggests she might have found it difficult to make credit card repayments for anything other than a short period if anything went wrong. The benefits the policy would pay out were in addition to her existing provisions. Accordingly I think the PPI would have provided Miss A with a worthwhile form of cover.

information about the policy

Lloyds had a duty to give Miss A information that was clear, fair and not misleading in order to put her in a position where she could make an informed choice about the insurance she was buying.

I consider the initial documentation Lloyds says was provided to Miss A did not make clear the ongoing cost and monthly benefits of the policy.

The cost of the policy at the point of sale was 79p per £100 of the outstanding card balance as at the statement date, in exchange for a monthly benefit of 5% of that balance for up to 11 months per claim. The policy would also pay off the outstanding balance if a claim went to a twelfth month, or in the event of Miss A's death. Whilst this information is stated within the policy booklet, there appears to be no reference to the fact that the policy premium would have to continue to be paid during a claim. This, in effect, would reduce the monthly benefit amount, and is something that Miss A should have been made aware of. Lloyds' failure to make this clear represents a shortcoming in the information it provided to Miss A.

That having been said, there is nothing obvious in Miss A's circumstances that leads me to believe the cost of the policy was unaffordable to her. It is likely that she would have been able to make use of the full range of benefits available under the policy should she have needed to make a claim. Both those benefits and the cost of the policy were competitive when compared to other policies on the market. Taking this into account and the reasons

I have outlined above as to why I consider the policy was not unsuitable, I am not persuaded that Miss A's decision to go ahead with the policy would have been any different had she been given information about it that was any clearer.

my final decision

For the reasons set out above, I do not uphold Miss A's complaint or make any award against Lloyds TSB Bank Plc.

Lâle Hussein-Doru
ombudsman