complaint

Miss L says Lloyds Bank PLC ("Lloyds") mis-sold her a payment protection insurance (PPI) policy alongside a loan.

background

This complaint is about a single premium PPI policy taken out with a loan in 2004. Miss L applied for the loan and PPI in a Lloyds branch.

Our adjudicator upheld the complaint. Lloyds disagreed with the adjudicator's opinion so the complaint has been passed to me.

my findings

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

I've decided to uphold Miss L's complaint for the following reasons.

Lloyds recommended the policy to Miss L so it needed to make sure that it provided her with enough information about it and also make sure that it was suitable for her. But in this case I don't think that Lloyds properly explained how much the policy would cost.

Lloyds sold Miss L the policy during a meeting in branch. I don't know what was said in the meeting. So I don't know whether the cost of the policy was explained to Miss L. I accept it's possible that this did happen but Lloyds hasn't provided any sales process guide or script that would've been used at the time. So I've got no way of knowing whether the cost was explained and even if it was, I don't know how clearly it was done.

As this is the case, I've thought about whether there's anything else to show whether Lloyds did properly explain the cost of the policy to Miss L. Lloyds' best (and only) evidence of how the cost was presented is the copy of Miss L's signed loan agreement. I've looked at a copy of it and can see that it does show that Miss L is borrowing an extra £958.30 for optional PPI. But I can't see anything on this agreement which explains that Miss L will pay an extra £406.24 in interest because the PPI premium is being added to the loan. And that she's actually paying a total of £1374.54 for the policy-I think this bit of information being missing is important in my decision making.

So looking at everything I don't think that the interest payable on the premium and the total cost were properly explained to Miss L. And I don't think that she properly understood how much the PPI would cost if she kept the policy for its full term.

I think that this would've mattered to Miss L because the extra interest made the policy a lot more expensive. And I don't think that Miss L would've taken the policy out if she knew it would cost her a lot more. Especially as the monthly loan repayment amount without PPI was lower-significantly I think.

I don't think Miss L would've bought the policy if Lloyds had done what it should've. So, I think Miss L has lost out because of what Lloyds did wrong.

I've taken into account Lloyds' comments, including what it has said about it having been made clear the policy was optional and that it thinks the policy was otherwise suitable for Miss L. But I still think I should uphold the complaint.

fair compensation

Miss L borrowed extra to pay for the PPI, so her loan was bigger than it should have been. She paid more than she should have each month and it cost her more to repay the loan than it would have otherwise. So Miss L needs to get back the extra she's paid.

So, Lloyds should:

- Work out and pay Miss L the difference between what she paid each month on the loan and what she would've paid without PPI.

- Work out and pay Miss L the difference between what it cost to pay off the loan and what it would have cost to pay off the loan without PPI.

- Add simple interest to the extra amount Miss L paid from when she paid it until she gets it back. The rate of interest is 8% a year†.

- If Miss L made a successful claim under the PPI policy, Lloyds can take off what she got for the claim from the amount it owes her.

- I understand that this loan was refinanced into a subsequent loan which has already been compensated on. This later loan was bigger than it should've been. Lloyds should calculate how much of the balance that was carried forward to the subsequent loan related to the cost of the PPI policy taken out for the previous loan; and
    - repay to the consumer the amount paid under the subsequent loan in respect of the carried forward balance, including interest and charges;
    - pay the consumer interest on this amount at 8% per year simple† from the date the payment was made to the date the compensation is paid.

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Miss L a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons I've explained, I uphold Miss L's complaint. Lloyds Bank PLC should pay Miss L compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss L to accept or reject my decision before 6 November 2015.

Rod Glyn-Thomas
Ombudsman