Financial Ombudsman Service

complaint

Mr and Mrs D complain that Lloyds Bank plc mis-sold payment protection insurance (PPI) to them.

background

In 1995 Mr and Mrs D arranged to take a mortgage from TSB (which merged into Lloyds) and at the same time were sold monthly premium PPI to protect repayments on the mortgage. The PPI covered Mr D for 70 % of the benefit and Mrs D for 30%. The mortgage and PPI ended in 2004. Mr and Mrs D told us that they weren't given any details about the PPI, other than that it would cover them for sickness accident or redundancy. They said that if it had been explained properly they might have refused it. They said they cancelled it when Mrs D tried to claim but found there was a six month deferment period.

Our adjudicator recommended that the complaint was not upheld. Mr and Mrs D disagreed so the complaint has been passed to me for review and a final decision.

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 considering Mr and Mrs D's case.

I have seen Mr and Mrs D's mortgage application. Although it is not a very clear copy, I can see that it includes a section about PPI (called MortgageSure), which offered equally clear options to accept or decline the PPI.

Both because of the poor quality of the copy, and the entries made, the form is rather confusing. The PPI section has clearly been altered (as has another section where the term of the mortgage has been altered from 15 to 20 years) after it was first written. There are entries to show the following.

- Mr and Mrs D wanted the PPI, with Mr D to having 70% of the benefit and Mrs D 30%. Entries have also been made in answer to some basic questions about their eligibility for the PPI.

- However, as their representative points out, it also looks as though the detailed part of the section has had two diagonal lines drawn through it to cross it out, and a mark made in the box above to say they didn't want the PPI at all. And someone has written "No M-S" or possibly "No Mrs" alongside.

But there isn't any other evidence on the form to show why there are two conflicting entries. In cases like this, where the evidence is incomplete or contradictory, I have to make my decision on the balance of probabilities – that is, to decide what is most likely to have happened

At first I thought, as Mr and Mrs D's representative did, that diagonal lines were from the second of the two versions, deleting entries already made - and that they showed that after first agreeing to take PPI, Mr and Mrs D had changed their minds and decided not to take it.

But on further examination of the form and further reflection, I think the diagonal lines were probably done first and the acceptance of PPI later. I say that because:

- It is clear from the rest of the form that the practice of the person completing it was to put diagonal lines of the same sort through detailed parts of any empty section which didn't apply, even if there was an initial "no" entry to say that it wasn't relevant. So the crossing out doesn't necessarily indicate that previous entries were being deleted. It could have been done initially to show no detailed entry was being made after Mr and Mrs D had initially decided not to have PPI. The acceptance of PPI and detailed entries could have been entered later, if they changed their minds and decided to take it.

- The mortgage offer referred to the PPI, the monthly cost and the percentage split between Mr and Mrs D. If they had decided by then that they didn't want PPI, after initially agreeing, I think they would have challenged the inclusion of PPI at that point.

- I have seen records of claims made on the policy by Mrs D in 1997 (unsuccessfully) and Mr D (successfully) in 1998. If they had decided not to take the policy (after first agreeing), but it had still been set up, then I can't see that they would have realised they had a policy to claim against.

So overall, I think that Mr and Mrs D did change their minds about taking the PPI, but that the change was from initially thinking they wouldn't take it to deciding that they would. I think they knew that the PPI was optional but ultimately agreed to take it.

Lloyds says that it recommended the PPI to Mr and Mrs D, and that seems likely to me. In that situation Lloyds needed to check that it was suitable for them. No copy of the original 1995 policy was available. So I've had to base my view on the closest one in date – from 1998. I think that the policy probably was suitable.

- From what I know of their circumstances, Mr and Mrs D were eligible for the policy.

- And I don't think they were affected by any of the restrictions in the policy. There was a restriction about claiming for sickness arising from existing medical conditions, and Mr and Mrs D both told us about conditions they had. But Mr D's condition wasn't diagnosed until 1997, after the PPI was sold. And he made a successful claim under the policy in 1998, at about the time he says he was off work. Mrs D had a long term condition when they took the policy, but has told us that she had only ever needed time off work for surgery and by 1995 knew it wouldn't require any more. So I don't think their medical conditions made the PPI unsuitable for them.

- Mr and Mrs D say they were both eligible for six months of full sick pay from work (followed by half pay). But neither had been in their job long enough to be eligible for any large amount of redundancy pay. And the mortgage application shows what savings they had – which wouldn't have lasted long, if they had to cover other expenses as well as the mortgage. Other insurances they had wouldn't have provided similar cover. Whereas the PPI would have paid out on top of any pay from work for sickness or compulsory redundancy: and would have paid out for up to 12 months per claim if they were unemployed for more than 60 days or sick for more than 30 days.

- I know Mr and Mrs D have said that when she tried to claim for unemployment in 1997 they were told there was a six month deferment period. But even though I haven't seen the exact same policy, such a long wait would be very unusual for a PPI policy. I think it is possible that they are misremembering being told she could only claim after 60 days. I couldn't expect them to have a clear recollection of events over 20 years ago, and I note they also (mistakenly) thought that they had then cancelled the policy. However I have seen clear evidence that they kept it and Mr D made a substantial successful sickness claim in 1998.

- Mortgage PPI often is suitable for people like Mr and Mrs D with some benefits from work and some savings. A mortgage is a big commitment with substantial repayments to find each month, and the risk of losing your home if you can't keep up with them. So PPI can provide useful increased security.

There might have been areas in Lloyds didn't give Mr and Mrs D as much information as it should have done. However the policy was competitively priced for the benefits it offered. And for much the same reasons that I've decided the policy was suitable, my view is that better information would not have put them off taking out the PPI. When I don't think they have lost out because of anything Lloyds might have done wrong, I don't have grounds to uphold their complaint.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 26 April 2018.

Hilary Bainbridge
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